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CONTENTS

18 June 1993

POLITICAL

Deng Xiaoping's Plans for Nation Into Next Century [Hong Kong KUANG-CHIAO CHING 16 Apr]	1
Brief Introduction to Central Socialist Academy [Hong Kong TZU CHING 5 Jan]	4
'Incorrect' Interpretation of Deng's Speeches Refuted [ZHENLI DE ZHUIQIU 11 Apr]	6

ECONOMIC

PROVINCIAL

Jiangxi Economic, Social Development Report [JIANGXI RIBAO 4 Mar]	9
Editorial on Challenges Facing Guangdong SEZs [Hong Kong CHING CHI TAO PAO 12 Apr]	14

FINANCE, BANKING

PBC Official on Accelerating Banking Reform [Hong Kong CHING CHI TAO PAO 26 Apr]	15
--	----

FOREIGN TRADE, INVESTMENT

Benefits of Participation in Economic Regionalism [Hong Kong CHING CHI TAO PAO 15 Mar]	17
Hong Kong, Taiwan Investment Surges [Hong Kong CHIU-SHIH NIEN-TAI May]	20

ECONOMIC ZONES

Bright Future Forecast for Shenzhen Real Estate [Hong Kong CHING-CHI TAO-PAO 12 Apr]	22
---	----

TRANSPORTATION

China Xinhua Airline Established [Beijing TV]	24
Scheduled Flight Between Singapore, Xiamen Opens [XINHUA]	24
Southwest Airlines Begins Flights to Singapore [XINHUA]	24
State Council Approves Opening Up Shenzhen Airport [SHENZHEN TEQU BAO 5 May]	24

AGRICULTURE

Agricultural Ministry on Economy in Early 1993 [ZHONGGUO NONGJIHUA 3 Apr]	25
Models, Strategies for High Efficiency Agriculture [ZHONGGUO NONGCUN JINGJI 20 Mar] ...	26
Ministry of Chemical Industry Supports Agriculture [NONGMIN RIBAO 19 Apr]	28

SOCIAL

Causes, Effects of Reform Engendered 'Grey Mentality' [Hong Kong TANGTAI 15 Apr]	29
--	----

MILITARY, PUBLIC SECURITY

Liu Shipu on Internal Security, Police Work [Hong Kong TZU CHING May]	31
---	----

REGIONAL

CENTRAL-SOUTH REGION

Zhao Fulin on Media Role in Market Development [GUANGXI RIBAO 25 Apr]	34
---	----

TAIWAN

New KMT Parliamentary Whip Profiled [TZULI WANLPAO 28 Mar]	35
New KMT Alliance: Seasoned Politicians, New Roles [HSIN HSIN WEN 27 Mar]	37
DPP Chairman Interviewed on Sino-Taiwanese Relations [Hong Kong CHIU-SHIH NIEN-TAI 1 May]	39

HONG KONG, MACAO

Public Perceptions of Patten Reform Plan [CHENG MING 1 Apr]	42
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Deng Xiaoping's Plans for Nation Into Next Century

93CM0276A Hong Kong KUANG-CHIAO CHING
[WIDE ANGLE] in Chinese No 247, 16 Apr 93 pp 20-23

[Article by Chin Po (6855 1591) and Ko Kuang (2699 0342): "China's Personnel Appointments for Entry Into a New Century"]

[Text] Deng Xiaoping Paves the Way for Successors To Enter Next Century

The Chinese Communists have fully completed the work required for a turnover of party, government, and military leadership. They are ready to meet the challenges in moving into a new century.

Jiang Zemin is to succeed to the presidency; Li Peng is to continue as premier, Qiao Shi [0829 4258] is to be NPC chairman; and Li Ruihuan [32621 3843 3883] is to be CPPCC chairman. This is the inevitable result of the overall personnel assignments made in the wake of the 14th Party Congress, which KUANG-CHIAO CHING was first to disclose in December 1992. The Political Bureau Standing Committee's division into four main departments is also evidence of the current Chinese Communist strengthening of leadership. One noteworthy development is in the cabinet. In Li Peng's new cabinet, the number of deputy premiers has been reduced to four from the previous five, each of them with responsibility for certain fields.

Preparations for Post-Deng Era

During the past more than a decade, out of consideration for the feelings of the senior statesmen and to balance the interests of all parties concerned, important positions such as president, NPC chairman, and CPPCC chairman have been held by ailing elder statesmen rather than under the direct control of the highest level of the Political Bureau Standing Committee. Now, when China wants to accelerate development, and is paying close attention to efficiency, this situation must be changed.

During the 14th Party Congress in October 1992, Jiang Zemin was elected CPC secretary general and concurrently chairman of the Military Affairs Commission, and Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan, Zhu Rongji [2612 3579 1015], Liu Huaqing [0491 5478 3237], and Hu Jintao [5170 6930 3447] became Political Bureau Standing Committee members. The Central Advisory Commission was abolished, and a large number of elder statesmen such as Chen Yun, Yang Shangkun, Yao Yilin, Wan Li, and Song Ping announced their retirement. The CPC Central Committee policy making level no longer emphasizes "separation of party and government"; instead, the party and government guide economic development, "overlapping concurrent positions" being used to avoid a cleavage between party and government. Reportedly, on the eve of the 14th Party

Congress, Deng Xiaoping proposed "overlapping concurrent positions" for the party and government leadership nucleus. This was a lesson learned from the cleavage between party and government in the former Soviet Union and eastern Europe, and from economic work in China. At the same time, it also permits third, fourth, and fifth generation successors more direct participation in actual events, and permits them to accumulate experience in the party and government, to improve their prestige both inside China and internationally, and to enhance their status as leaders for the building of a leadership base for the coming century. Deng Xiaoping has said many times that he is almost 90 years old (he will be 89 in August 1993), so there is no telling when he will fall over and die. For people to continue to focus on him is very abnormal; therefore, he wants to establish socialist market economy theory and also seize the present rare opportunities (such opportunities are few and far between in China) for accelerating development of the economy. At the same time, his hopes are pinned on the third and fourth generation of successors headed by Jiang Zemin. It is certain that building on their accomplishments during the past three years, the loyal followers of Jiang Zemin will take advantage of the favorable situation to boldly place a number of middle aged and young people in leadership jobs in the party, government and armed forces, and in public security, procuratorate, and economic units. Examples are Hu Jintao, Wu Bangguo [0709 6721 0948], Jiang Chunyun [1203 2504 0061], Ding Guangen [0002 7070 2704], Wen Jiabao [3306 1367 1405], Wang Zhaoguo [3769 0340 0948], Ren Jianxin [0117 1696 2450] etc. This is in preparation for the task of carrying on the link between the past and the future during the coming century.

Zhu Rongji To Head Up Agriculture

Of the deputy premiers in the previous government, the 76 year old Yao Yilin departed from the government forum, and Tian Jiyun [3944 4764 0061] and Wu Xueqian [0702 1331 6187] were respectively transferred to positions in the NPC Standing Committee and the CPPCC. Zhu Rongji and Zou Jiahua [6760 1367 5478] continued as deputy premiers. Qian Qishen [6929 0366 3819] and Li Lanqing [2621 1526 3237] were moved up to vice-premierships. Among the four incumbent deputy premiers, seemingly no one is in charge of agriculture. Actually, this heavy burden now falls on the shoulders of Zhu Rongji. No sooner was the recent NPC concluded than Li Peng and the four deputy premiers held a press conference. When a RENMIN RIBAO correspondent asked a question having to do with agriculture, Li Peng asked Zhu Rongji to reply. Zhu spoke in a well-reasoned way about three actions that the Chinese government is taking regarding current problems in agriculture: first, a ban on the use of good farmland for development zones; second, elimination within the year of the practice of issuing IOUs when the government purchases agricultural and sideline products; and third, an inventory of all extra assessments on peasants after first halting them.

Woman Member of State Council for First Time

The number of State Council members in Li Peng's new cabinet has been reduced to eight from the previous nine. Despite having one person less, the make-up of the cabinet has been changed with the addition of a woman (Peng Peiyun [1756 3805 7189], and one member of a minority nationality Simayi Aimaiti [0674 7456 5030 5337 6314 2251]).

For the China mainland, holding total population within 1.294 billion by the end of the century will be very difficult, but also very necessary. Otherwise, attainment of the goal of a comfortable well-off standard of living may founder given the level of income of the population. Peng Peiyun, who will be responsible for this job, has her work cut out for her.

Close Attention to Harmonization of Nationalities, Promotion of Nationalities Cadres

China has 56 different nationalities, minority nationalities accounting for 7 percent of the country's population. Although all nationalities continue to live together in harmony, the economic development of minority nationality areas lags behind that of coastal regions. Some of the political unrest, and even armed clashes, of recent years have occurred as a result of ethnic conflicts. Focus on development of the greater northwest during the coming decade, and lessons learned from upheavals abroad have spurred Communist China's high level leaders determination to bolster nationalities work, putting a member of the State Council in charge of such work.

There is also another difference between the State Council in the present government and in the last one, and that is that a member of the State Council serves concurrently as Secretary General of the State Council. He is Luo Gan [5012 1626].

Half of the members of the State Council are new, and half are old. The four new members include not only Peng Peiyun, Simayi Aimaiti, and Luo Gan, but also the new Minister of National Defense, General Chi Haotian [6688 3185 3944].

Official sources have announced that in keeping with requirements for development of a market economy, agencies of the State Council will carry out a major reform that will differ in the following ways from previous such reforms: Agency reform will begin with the State Council and not with local agencies. In accordance with the principle of separation of government administration and enterprise management, the change in government functions, the straightening out of relationships, government streamlining, and improvement of efficiency will be speeded up. Substantial changes will be made in State Council agencies, as many as 20 percent of agency personnel being retrenched.

In addition, the Chinese Communists want to spur multi-party participation in government. Specifically,

they want to attract noted nonparty persons from industry and commerce as well as people in powerful positions to provide advice on important matters of state, to make the most of talent and wisdom, and to stimulate all quarters to forge links abroad to form a stable and harmonious situation. The elevation to the vice-presidency of the former Zhongxin chairman of the board and All-China Industrial and Commercial Alliance chairman Rong Yiren [2837 3015 0088] marks a new beginning in the Chinese Communists century-spanning multi-party cooperation plan.

Seizing Opportunities for Large Scale Development; the Whole Country To Attain a Comfortably Well-Off Standard of Living by 1997

Both the personnel assignments and the agency reforms are for the purpose of supporting future economic development and an increase in national strength. In an analysis of the situation in China and abroad made in Shanghai during the 1993 lunar New Year, Deng Xiaoping called for the need to seize promptly opportunities for development. Development of the economy must continue to accelerate, and there are to be no large ups and downs, otherwise opportunities will be lost. Now, in his "Political Work Report," Li Peng has set GNP growth for 1993 at between 8 and 9 percent. He also declared that there is some "leeway" in this figure; in working to attain it, it might go even higher, but circumstances differ from place to place. There is no demand for "arbitrary uniformity." "Those who can go faster should go faster." Chinese departments concerned estimate that at this rate of development, by 2020 at the latest, China's increase in economic strength will surpass that of the United States during the same period. Moreover, by 1997, when sovereignty over Hong Kong is regained, the Chinese may reach a comfortably well-off economic level. After more than 100 years of blood and sweat, the Chinese will finally harvest some first fruits.

Two Priority Matters

The new government must give priority to new matters: First is the building with all possible speed of a basic framework for a market economy; second is acceleration of legislation to bring order where there is no order.

After high speed development in 1992, China's economy continued to maintain strong growth momentum from the very beginning of 1993.

State Statistical Bureau data show a gross output value of 458.6 billion yuan for industry at the township level and above throughout the country during the first two months of 1993. This is a 20.4 percent leap over the same period in 1992. Agricultural loans increased 35 percent over the same period in 1992; investment in fixed assets increased 64.1 percent; and total social commodity retail sales increased 15 percent.

These events make people in economic circles both happy and sad. They are happy because state-owned industrial concerns included in budget paid 39.1 percent

more profits and taxes to the state during January and February than during the same period in 1992, and the enterprise loss rate fell 14 percent.

However, prices also rose greatly, retail prices nationwide increasing 8.5 percent during the first two months of 1993 by comparison with the same period in the previous year. This includes a 10 percent rise in urban prices, and a 7.6 percent rise in rural prices. Prices of items used in daily life increased 10.5 percent over the same period in 1992. This includes a 15.2 percent increase in 35 larger and medium size cities.

Because memories are still fresh about the 18 percent rise in the overall price index when industrial production increased 20.8 percent in 1988, and particularly the signs of inflation at the end of 1988 and the beginning of 1989 when the renminbi foreign exchange rate plummeted on the black market, quite a few people have cried "overheating," and urged the government to increase macroeconomic control.

However, the analysis of economists is that economic overheating does not yet exist in China. Their reasons are as follows: 1. Supply and demand are pretty much in balance, the supply of consumer goods exceeding demand. 2. Because of not very good bank returns, much of the excess credit issued in 1992 has not entered market circulation. 3. The effect of government price adjustments is greater than the effect of inflation. 4. People's incomes are rising faster than prices. During January and February, per capita income rose 21.8 percent over the same period in 1992. This is the main reason that most residents can tolerate the rise in prices.

In addition, because of the slow increase in energy production, greater shortages of resources, negative increase in freight transportation, and further accumulation of various problems in the operation of the industrial economy, it will be very difficult to maintain sustained high speed growth of the national economy. Forecasts call for a downturn in speed of growth during 1993, the GNP growth rate for the year being around 10 percent.

Nevertheless, some economists are very anxious about the situation. They believe that because of the laws of economic development a new round of consumption overheating propelled by high investment is about to arrive.

Analysis shows the following grouping of commodities consumed in China during the 1990s: 1. housing, air-conditioning, telephones, motor vehicles, and computers; 2. high quality fashion; 3. nutritious, healthy, and convenience foods; 4. jewelry and cosmetics; and 5. family kitchen and sanitary equipment.

Plans called for a 12.3 percent rise in total retail sales during 1992, but the actual total was 15.5 percent to break the 1 trillion yuan mark for the first time at 1.0875 trillion yuan. Historical experience shows that a retail sales rate that is greater than 15 percent will set off a rise

in prices. Because of the effect of GATT entry during 1993 and 1994, customs duties on new consumer goods—mostly motor vehicles and computers—will fall. Housing will also be decontrolled. As a result, a new consumption and construction craze led by motor vehicles, housing, transportation, and the services of tertiary industries will occur. If this is accompanied by financial reform such as consumer credit, the time when ordinary Chinese have a private automobile, telephone, micro-computer and dwelling will not be far off. A new consumer craze will be in the offing. The expansion of overall demand that high consumption brings is a latent cause of inflation, and an extremely important and dangerous cause.

Hastening the Pace of Legislation

On the other hand, in the present process of shifting gears, much disorderliness exists that not only causes disarray in markets, but also directly harms the common interests of the state and society. One example is the nationwide craze for making applications to run a company, which if it is not regulated at once, is bound to cause confusion about property rights, erosion of state assets, and the reckless proliferation of "briefcase" companies. This will lead in turn to a new round of company reorganizations. Other examples include the "triangular debt" among Chinese enterprises, and government issuance of IOUs to peasants. Conversely, creditors have little power against debtors; they are in a passive situation. Illegal businesses, short weights and measurements, misrepresentation of quality, and adulteration do not stop despite prohibitions. Litigation is common. Particularly serious is the large scale influx of fake drugs, bogus alcoholic beverages, and imitations. Local mutual blockading, and intra-industry monopolies seriously obstruct the formation of a unified market. Legislation is needed to guide these matters.

The experts concerned estimate that 400 different kinds of legislation are urgently needed. These include:

Legislation to regulate government conduct, e.g., planning laws, budgeting laws, investment laws, tax collection laws, credit laws, clean government laws, and state-owned assets laws.

Legislation to regulate enterprise and individual behavior: creditor and debtor laws, securities laws, enterprise income tax laws, laws against improper competition, laws to protect consumer rights, and individual income tax laws.

Legislation to improve internal operating mechanisms: corporation laws, public finance laws, banking laws, commercial laws, market laws, chambers of commerce laws, and stock share laws.

Legislation to improve external supervisory mechanisms: auditing laws, accounting laws, statistics laws, weights and measurements laws, and commodity quality laws.

Speeding up the legislation pace has become a priority matter in China, and only with legislative support can the new market economy system truly develop, improve, and mature.

Half the People in the Cabinet Are New

Half of Li Peng's new cabinet are new people. New blood has been infused into government bodies. This is leadership level personnel preparation to enter a new century. However, personnel cuts are sure to encounter all kinds of opposition. They will be very difficult. In addition, very many serious problems remain to be solved in many fields in China including education, social democracy, elimination of corruption and promotion of clean government, the legal and disciplinary system, the gap between the rich and the poor, and the work style of party and government personnel. The next one or two years are a crucial period in which the extent to which the economy can be developed, whether national strength can be rapidly increased, how to bring about a new situation in foreign relations, and how to improve the unhealthy atmosphere will be important indicators for testing the success or failure of the new leadership level.

Brief Introduction to Central Socialist Academy

93CM0279A Hong Kong TZU CHING [BAUHINIA MAGAZINE] in Chinese No 28, 5 Jan 93 pp 33-34

[Article by Mu Yang (4476 2254): "High Level Party School for China's Democratic Parties"]

[Text] At Weigong Village in Beijing's western suburb stands a group of buildings in a peaceful compound under a canopy of green trees. At the entrance to the compound, the eight characters for "Central Socialist Academy" inscribed on a board surrounded by flowers in the handwriting of Deng Xiaoping catch the eye. This is the joint party school of all of China's democratic parties, and it is also the cadre school for united front work in China. It is within shouting distance of the CPC Central Committee Party School beside the Summer Palace to the north. The two party schools exhibit a most outstanding characteristic of China's political system—multi-party cooperation. If one terms the CPC Central Committee Party School the crucible in which high and middle rank cadres are tempered, then the Central Socialist Academy is the cradle in which cadres of China's eight democratic parties mature.

The Central Socialist Academy was first proposed in the winter of 1955 by Chen Shutong [7115 0647 6639] and Zhang Bojun [4545 0130 6874], well-known figures representing the democratic parties and persons without party affiliation. Construction began in March 1956 following a decision at the 20th meeting of the Second CPPCC. At that time, the preparatory committee was made up of CPC members Li Weihai [2621 4850 3352] and Wu Yuzhang [0702 3769 4545], as well as Shao Lizi [6730 0500 1311] and Yang Mingxuan [2799 2494 6513]

who represented the democratic parties and persons without party affiliation. The construction plan was patterned after that of the CPC Central Party School in size, school buildings, and facilities. Chinese People's University was commissioned to do the preparatory work on instruction modeled after the Central Party School's operating methods. Thanks to the solicitude of Premier Zhou Enlai and support from many quarters, the preparatory work moved along very smoothly. On 15 October 1956, the founding of the Central Socialist Academy was announced, and a ceremony marking the beginning of study by the first class of students was held in the CPPCC auditorium.

During the mid-1950s, socialist transformation was just coming to a close. Construction of the motherland was flourishing. Originally, the Socialist Academy's preparatory committee considered naming the academy the "Mao Zedong Thought Academy." After learning of this, Mao Zedong personally told Zhou Enlai: It would be better to call it the Socialist Academy. The name Socialist Academy is an inevitable follow-on to the historical development of Chinese society. It reflects the socialist orientation set in the common program of all democratic parties, and it also conveys the school's operating guidelines and the substance of its instruction.

During the more than 30 years since founding of the academy, except for a period during the Cultural Revolution when it was forced to close, this academy has run a total of 47 training classes of various kinds and of various size. History shows that the outstanding achievements of the Socialist Academy make it a high level institution of higher education that has had an important influence on Chinese society.

China's united front is renowned as an important "talisman" for revolution and construction. In its indoctrination and training of cadres from all democratic parties, the Central Socialist Academy does indeed have a distinctive united front character. Examination of the development of this academy is extremely beneficial in understanding the distinctive multi-party cooperation of China's political system and the political consultative system.

Prior to the Cultural Revolution, the Central Socialist Academy, which had as its goal "helping intermediate and high level cadres of all democratic parties, people without party affiliation, and other democratic persons improve their theoretical level," ran several year-long high level training classes that trained more than 1,800 democratic party students. Renowned leaders of Chinese democratic parties such as Weng Wenhao [5040 2429 3493], Huang Yanpei [7806 3508 1014], Zhu Xuefan [2612 1331 5400], Li Dequan [2612 1795 0356], and Hu Ziang [5170 1331 2491] studied in these training classes. Quite a few of them subsequently performed important leadership functions in the nation.

During the early 1980s, in order to respond to the historical trend of reform and opening to the outside

world, the Central Socialist Academy, which was recovering from the devastation wrought during the Cultural Revolution, adopted more flexible and varied methods for training cadres of democratic parties.

In the training of intermediate and high level democratic party cadres, it adopted the fewer but better principle, running three month long study classes that concentrated on the study and discussion of major national policies and important social and political issues. The record shows that high level Chinese Communist leaders such as Song Ping [1345 1627] and Ding Guangen [0002 7070 2704] held information discussions at these study classes with leading members of democratic parties. A total of 17 such study classes were held for 465 students.

At the behest of various united front units, the academy helped train cadres engaged in united front work at all levels.

In view of the broad scope and specialized nature of the united front, emphasis was placed on the running of reading classes on special topics including democratic parties, minority nationalities, and religion. These improved the students understanding of national policies concerned, and they also promoted their study of specialized fields.

In one form or another, and for various lengths of time, numerous democratic party members and people having no party affiliation studied at the Central Socialist Academy, and they generally felt this study to be beneficial. They played an increasingly important role in strengthening and perfecting multi-party cooperation under leadership of the CPC and the political consultative system. Quite a view members of all democratic parties hold leadership positions today as top level cadres in China's ministries and commissions, and many of them have trained or studied at the Central Socialist Academy.

Leaders at the Central Socialist Academy are appointed or dismissed only after consultation among all democratic parties and approval by the CPPCC. The academy's first chancellor was Wu Yuzhang [0702 3768 4949], and old revolutionary and educator who enjoyed high prestige and commanded universal respect. His successor was the late deputy chairman of the CPPCC and chairman of the Central Advisory Committee of the Democratic Construction Society, Sun Xiaocun [1327 2556 2625]. The incumbent chancellor is the renowned Chinese energy expert and deputy chairman of the Zhigong Party Standing Committee, Professor Yang Chike [2799 4764 3784]. Others who have served as deputy chancellories of the academy include well-known persons such as Shao Lizi, Yang Mingxuan, Nie Zhen [5119 4176], and Qian Jiaju [0578 1367 7467].

As a high level political institution, the teaching methods of the Central Socialist Academy differ in many ways from those of institutions of higher education in general. The teaching methods and the selection of course work here is also done with reference to the experiences in

setting up the CPC Party School. In the classes that run for a fairly long period of time, students mostly study classic theoretical works on politics, philosophy, and economics, and they study historical experiences in China's revolution and construction. As a result, during the present reform and opening to the outside world, they grasp the trend of development of Chinese society, and they have an ideological understanding of important theoretical issues. In the shorter running classes, the emphasis is on the study of applicable national plans and policies to improve the students ability to solve concrete problems. Since most of the professors for these classes are expert scholars in the Chinese theoretical world who enjoy very high name recognition, and since quite a few are leaders responsible for specific tasks in a department or in some area, despite the not very long time that students study in these classes, they are able to gain a full understanding of the state's major policy issues, the status of work in various areas, principal theoretical issues, and effective practical experiences. The study methods that the Socialist Academy encourages are of particular interest. As long ago as July 1956, the CPPCC's Political Study Committee made a ruling about study methods at the Central Socialist Academy, calling for "adoption of the principle of freedom, voluntarism, and free will." Since 1960, the Academy has also advocated the "three nos" principle of "no attacking the mistakes of others, no improper labeling of others, and no bludgeoning others." While studying and training here, students from all parties can pose questions, analyze issues, and solve problems themselves in a cheerful frame of mind, and freely and without inhibition.

Founding of the Central Socialist Academy is a mark of the longstanding co-existence of the CPC and China's democratic parties. It is also the crystallization of the friendly cooperation between the older generation of CPC leaders such as Mao Zedong and Zhou Enlai and the leaders of the democratic parties. It makes a positive contribution to new China's united front work, to the widespread unification of all quarters and persons at all levels. During this new historical area of China's implementation of a policy of reform and opening to the outside world, and the building of a distinctively Chinese modern, socialist, powerful country, as an important component of China's political system that is bound to further strengthen and enhance multi-party cooperation under leadership of the CPC and the political consultative system, the Central Socialist Academy is also bound to play a tremendous role in advancing development of China's democratic parties.

Recently, CPC Secretary General Jiang Zemin personally composed an eight character theme for this academy that reads: "Patriotism and Unity; Democracy and Seeking for Truth," which expresses the confidence of a new generation of the CPC collective leadership in strengthening long-term cooperation with all democratic parties, and the ardent expectations of the Central Socialist Academy.

'Incorrect' Interpretation of Deng's Speeches Refuted

93CM0280A Beijing ZHENLI DE ZHUIQIU [PURSUIT OF TRUTH] in Chinese No 4, 11 Apr 93 pp 2-5

[Article by Guo Feng (6753 1496): "Refuting 'Incorrect' Interpretations of Deng Xiaoping's Speeches"]

[Text] 1. Comrade Deng Xiaoping inspected southern China early last year and delivered several speeches during his tour on adhering to the party's basic line and steadfastly keeping it unchanged for 100 years. In the speeches, he not only demanded that China grasp the existing favorable opportunity to proceed with economic construction, but also noted solemnly from a strategic high ground: "Adhere to the party's basic line for 100 years. Do not waver from it." This is the essence of his speeches. However, it has been interpreted in a one-sided manner by some people. For instance, a number of comrades say: "This is great. Comrade Deng Xiaoping has said that the basic line is to remain unchanged for 100 years. That means the focus on economic construction will remain unchanged for 100 years. Why talk about tackling party construction now?" Can we regard this kind of interpretation well-rounded? Isn't adherence to the four cardinal principles part of adherence to the party's basic line? Didn't Comrade Deng Xiaoping say quite explicitly that the key is sticking to "one center, two basic points" unwaveringly? To my mind, this means that we must adhere to the center, which must not be interfered with or disrupted in any way, and stick to it at all times. At the same time, we must adhere to the "two basic points." It will not do if we concern ourselves with just one basic point. Some people also have an incomplete understanding of Deng Xiaoping's argument that if we do not develop the economy and fail to reform and open China to the outside world, we will be following the road to ruin. This is what Deng Xiaoping said: "Don't adhere to socialism, don't reform and open up to the outside world, don't develop the economy, and don't improve the people's livelihood, we will only embark on the road to ruin." Here we can see that the first thing Comrade Deng Xiaoping emphasized was sticking to socialism.

2. About being "named" socialism or "named" capitalism. I have heard some comrades say, "This is great. Comrade Deng Xiaoping said in his speeches that no longer do we have to ask if something is 'named' socialism or 'named' capitalism as long as it helps the economy work." Did Comrade Deng Xiaoping really say that we no longer need ask whether something is "named" socialism or "named" capitalism? No. Comrade Deng Xiaoping has said repeatedly: "The modernization we are engaged in is preceded by four characters, namely shehui zhuyi, or socialism. Our reform is the self-improvement and self-development of socialism." Never has Deng Xiaoping said that we need not ask if something is "named" socialism or capitalism as we build socialism with Chinese characteristics. Don't the four cardinal principles, part of the party's basic line of

"one center and two basic points," already suggest unequivocally that socialism must be adhered to? In his speech, Comrade Deng Xiaoping took pains to point out that no bold moves so far have been taken on the reform and open policy front mainly because some comrades are worried that they would go down the capitalist road and have all sorts of concerns. To dispel these concerns, Comrade Deng Xiaoping put forward three criteria for judging whether a piece of reform or an open policy is good or bad, namely the "three advantages." His idea was to greatly liberate the thought of the cadres and masses and give them a free hand to experiment boldly. This point was explained clearly and comprehensively by Comrade Jiang Zemin in a speech at the Central Party School in June 1992. Someone has written an article entitled "On the Two Views of Reform and the Open Policy" directly targeting leading comrades on the CPC Central Committee. This person argues that those who emphasize the two views of reform and the open policy are in effect pushing for the abolition of reform and the open policy and not letting people engage in reform and the open policy. I say he is at least right about that. Indeed we would not want to let people like him practice their "bourgeois liberalization variety of reform and open policy." In his writings and speeches, Comrade Deng Xiaoping regularly notes that our kind of reform is the self-improvement and self-development of socialism. Some people get involved in reform and the open policy just so that they can steer reform and the open policy onto the capitalist road. Isn't it precisely the purpose of his speeches to draw a clear line between the two kinds of reform and open policy? Those people's words and deeds clearly show that there are still two views of reform and open policy even today.

3. About drawing on the experience of capitalism. That Comrade Deng Xiaoping highlighted this point in his speeches in the south has enormous theoretical and practical significance. It gives a big boost to our drive to liberate the thought of the entire party, overhaul our thinking, intensify reform and the open policy, and accelerate the construction of socialism with Chinese characteristics. We must study and grasp its essence in earnest. This issue was discussed comprehensively by Comrade Jiang Zemin in a speech to the 1992 class of college graduates as well as in another speech at the Central Party School. He said we must realize that the high tech and managerial experiences of capitalism reflect the laws of modern socialized mass production and all the fruits of the progress of human civilization. They are a legacy we should inherit as we build socialism. We must study it diligently and use it to serve socialism. Of course we must not assume that everything is good and advanced about modern capitalism. We must resist the assorted ways and methods they use to exploit and oppress the working class as well as the corrupt thinking and lifestyles of the exploiting class. At the same time, we must not look down on ourselves. On the contrary, we must accentuate our strengths in enterprise management. For instance, Daqing Oil-Field,

Shoudu Iron and Steel Works, and Jilin Chemical Works have good managerial practices. They offer a socialist enterprise management model with Chinese characteristics. Shanghai No 2 Textile Mill also has a strong track record in management, now being studied by the foreign bosses of the three kinds of partially or wholly foreign-owned enterprises. Comrade Zhu Rongji [2612 3579 1015] said the experience of Shanghai No 2 Textile Mill is essentially the "honest-in-three-ways-and-steady-in-four-aspects" experience of the Daqing Oil-Field. All this means that we should accentuate our own strengths even as we study, emulate, and make use of all that is good about capitalism, marrying the two to create a socialist enterprise management model with Chinese characteristics.

4. About the economy reaching a new peak once every few years. This involves our understanding of objective economic principles. Comrade Deng Xiaoping summed up our party's long experience in the construction of socialism thus: Don't be impatient for success and stick to the policy of sustained, steady, and coordinated development. Within that framework, he further noted, "sustained" and "steady" are relative concepts, but there is no ambiguity about development. Judging from the historical experience of China and other foreign nations, growth spurts have invariably been a part of the development process. This is consistent with the objective principles of economic development. Some comrades worry about a repeat of the Great Leap Forward. I don't think that will happen. Times have changed; circumstances have changed. Our party has become highly experienced in leading economic construction. We will, as Comrade Deng Xiaoping has said, discover problems and solve them quickly even as we grasp the existing opportunity to accelerate economic development and then continue our onward march. We cannot be so constrained by mistakes of the past that we hesitate and fail to take advantage of the opportunity available to us now. As Comrade Deng Xiaoping said, if we do not act boldly and let the opportunity pass us by, we will be sorry one day and then it will be too late.

5. About China being on guard against the right, but even more important, against the left. I think this statement by Deng Xiaoping must be interpreted accurately and comprehensively. Comrade Deng Xiaoping mentioned both the left and the right; neither can be left out. When he said we must be on guard against the left, he had something specific in mind. He emphasized: "Leftism means presenting reform and the open policy as the importation and development of capitalism and assuming that the chief danger of peaceful evolution is present only in the economic arena." Deng Xiaoping also took a measured approach toward our vigilance against the left. He said we should be vigilant, but he did not say we should mount an anti-left ideological struggle. More recently, however, some comrades stress being vigilant against the left and opposing the left, without saying a word about being on guard against the right. I don't think that is an accurate or complete reading of the

spirit of Deng Xiaoping's speech. Some people, in particular, push his words about being vigilant against the right and left to the limit. Not only do they stress vigilance against the left, but they have been clamoring loudly for an anti-leftist ideological struggle. Should we not be wary of that? Our party has accumulated considerable experience in conducting anti-tendency campaigns. In correcting the left, we have to watch out against the right, and vice versa. We don't have to go too far back in history. Since the Third Plenum of the 11th CPC Central Committee, for example, our party has been consistently vigilant against the left, yet the last two general secretaries both committed a rightist error by failing to combat bourgeois liberalization diligently. This fact proves that it is imperative for Deng Xiaoping to warn us to watch out for the right. For this reason, I support what one comrade has said about seeking truth from facts when it comes to left and right. When there is leftism, we must correct it. When there is rightism, we must correct it. Comrade Deng Xiaoping talked mainly about guarding against the left, an emphasis that is no doubt well-placed on the whole. But we cannot apply the idea of guarding against the left and opposing the left to all areas uniformly without any analysis. At present, for instance, the crackdown on all sorts of criminal activities is half-hearted, as is the campaign against corruption within the party. Party discipline is slack and there is a weakening, a softening in the political and ideological arena. Can we say this is "leftist" too? In short, make a concrete analysis of concrete issues. Don't practice metaphysics or try to impose a single solution on all situations across the board.

6. About "tackling with two hands, with both hands equally tough." This too has been variously interpreted. Some comrades argue that "tackling with two hands" and building two civilizations at the same time constitute dualism. This is incorrect. By calling for "tackling with two hands," Comrade Deng Xiaoping in effect was saying that we must adhere to the "two basic points" even as we focus on economic construction. The report to the 13th CPC National Congress called for integrating the "two basic points" into the practice of the construction of socialism with Chinese characteristics. Integrating can only mean monism, not dualism. Deng Xiaoping made it quite clear in his speech that we must oppose corruption, that we must adhere to the four cardinal principles, and that we must oppose bourgeois liberalization. Comrade Deng Xiaoping also emphasized: "Not only must we make our economy a success, but we must maintain social order and create a good social climate. We must do better than they when it comes to the construction of the two civilizations. This is the only way to achieve socialism with Chinese characteristics." With these words, Comrade Deng Xiaoping made clear the implications of "tackling with two hands." While inspecting Shenzhen, he said: "The consequences of bourgeois liberalization running rampant would be most serious. It took more than a dozen years for special economic zones to come this far. But they can be undone overnight." The words are brief but incisive

and poignant. But there are some comrades involved in party affairs and political work who overlook what Comrade Deng Xiaoping has said about improving ideological and political work and intensifying party construction. Instead of studying his speeches, they believe wrongly that he emphasized only economic development, reform, and the open policy, while saying little about ideological and political work or party work. This, they conclude, means that we can downplay ideological and political work and party construction. Is that really the case? No. This also reflects from yet another angle the one-sidedness of our reading of Deng Xiaoping's speeches. From the "great party construction" perspective, his speeches all deal with party construction and ideological and political work from beginning to end. For instance, he stressed that we must stick to the party line and keep it unchanged for 100 years, that we must abide by the four cardinal principles throughout the entire process of reform and the open policy. Wasn't he talking about the party's political line there, about the party's political construction? When Deng Xiaoping emphasized liberating thought, seeking truth from facts, and using the good things about capitalism, he was referring to the party's ideological construction. When he said that imperialists are engaged in peaceful evolution, when he told us to choose our successors properly, and when he pinned his hopes on the several upcoming generations, he was talking about the party's organizational construction. When Deng Xiaoping called for fighting corruption

and promoting integrity in government, he was talking about building the party's style. Furthermore, he emphasized relying on the legal system and building China's legal institutions. That is why we say that Comrade Deng Xiaoping did discuss ideological and political work and party construction in his speeches. Needless to say, party construction must always be integrated with economic construction. This is why I consider his speeches delivered in the south an important treatise on both the Marxist political economy and party construction. If we interpret the spirit of his speeches in this manner, our comrades in party work will definitely feel more encouraged and become more confident about party construction. There is no reason why we should feel "a sense of loss." On the contrary, we must make Comrade Deng Xiaoping's speeches our ideological weapon in improving party construction. Working alongside other comrades in the party, we should tackle party construction forcefully and forthrightly even as we concentrate our energies on economic construction. The more we reform and open up, the greater the need to make party construction a success.

(The article is excerpted from a speech by Comrade Guo Feng at a seminar entitled "Reform, Open Policy, and Party Construction" organized by the organization department of Jilin Provincial CPC Committee. This magazine has made some changes in wording.)

PROVINCIAL

Jiangxi Economic, Social Development Report

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[Article by the Jiangxi Province Statistics Bureau: "Statistical Report on Jiangxi Economic and Social Development in 1992"]

[Text] In 1992, Jiangxi's efforts at reform, opening up, and modernized construction entered a new phase marked by vigorous growth, aided by the guidance of Comrade Deng Xiaoping's important talk on his inspection of the southern region and the spirit of the 14th National Party Congress. Every aspect of the national economy and social development enjoyed noticeable achievements. Efforts at reform and opening up have accelerated on all fronts, the national economy has enjoyed rapid growth, the people's standard of living has continued to improve, every sort of social enterprise has further developed, and these things have led to a new beginning from which our province's economy can move quickly and effectively ascend to a new level. Based on preliminary statistics, our gross provincial product in 1992 was 55 billion yuan, 14.3 percent greater than that of the previous year. Of this, tertiary industry increased its value by 15.24 billion yuan, 17.2 percent over the previous year. Local financial revenues were 5.02 billion yuan, 12 percent greater than in the previous year. The following significant problems are noted in the activity of the economy: Product mix adjustments have failed to move quickly forward, economic efficiency needs further improvement, certain agricultural products still experience pronounced marketing difficulties, and supplies are tight for certain production materials.

1. Agriculture

In 1992, all areas and departments continued to strengthen their leadership and support of agricultural production. They continued to carry out an overall battle to develop agriculture, they actively adjusted crop mix, they further perfected the family-based output-related system of contracted responsibility and the various systems to provide services in furtherance of socialized agriculture, and they devoted greater resources to agriculture, so as to create better conditions for agricultural production and so that agricultural production might reap even greater returns. Gross agricultural product was 32.15 billion yuan (based on 1990 values, which will be used hereinafter). This represents an increase of 6.6 percent over that of the previous year. The value of agricultural production increased by 19.84 billion yuan, which is a growth of 5.4 percent. This accounts for 36.1 percent of the gross domestic product of Jiangxi, a drop from the 39.4 percent of the previous year.

Startling development was noted in the adjustment of the agricultural mix. All major crops enjoyed enormous growth, aside from a few crops such as grain. Total grain production was 15.66 million tons, a drop of 3.7 percent from the previous year. Production of economic crops continued to

grow, with the total area sown hitting 1.212 million hectares, expansion of 16.4 percent over last year. Planting production was valued at 16.25 billion yuan, a growth of 2.6 percent over last year.

Production values for primary agricultural products were as follows:

	1992	Increase Over 1991
Grain	15.66 million tons	-3.7 percent
Cotton	148,400 tons	36.1 percent
Oil Crops	742,000 tons	19.3 percent
Of Which: Peanuts	215,000 tons	44 percent
Rapeseed	490,000 tons	10.3 percent
Sugar Cane	2,561 million tons	11.4 percent
Jute and Bluish Dogbane (Ripe Hemp)	18,000 tons	-12.2 percent
Ramie	6,600 tons	27.6 percent
Flue-cured Tobacco	38,200 tons	21.6 percent
Sun-cured Tobacco	7,900 tons	17.7 percent
Silkworm Cocoons	15,400 tons	170 percent
Tea Leaves	18,200 tons	-1.7 percent
Fruit	141,000 tons	-57.8 percent
Of Which: Oranges and Tangerines	70,700 tons	-73.7 percent

Forestry production grew vigorously. The 1992 forestry production value of 2.76 billion yuan represents a 9.6 percent growth beyond that of the previous year, while 435,000 hectares of land was afforested, of which 50,600 hectares were economic forests, a 250 percent increase over the previous year. Afforestation of the shelter-forest, an area that has long been lacking, amounted to 81,500 hectares, 18.8 percent more than in 1991. An area made up of 3.3639 million hectares of hillsides was closed off to animal grazing so as to facilitate afforestation. This was 15.1 percent more land than had been closed off during the previous year.

Adjustments to the animal husbandry mix continued to move ahead. The total product value of animal husbandry was 8.11 billion yuan, a growth of 12.2 percent.

Production quantities for primary livestock and livestock headcounts are as follows:

	1992	Increase Over 1991
Pork, Beef, and Mutton	1,284 million tons	12.8 percent
Milk	28,000 tons	6.2 percent
Hogs Removed From Inventory	15.71 million head	10.8 percent
End of Year Sheep Headcount	198,000 head	25.3 percent
End of Year Large Livestock Headcount	3,478 million head	3.9 percent

Fishery production continued to grow. The 1992 fishery production value of 1.74 billion yuan represents a growth of 21.8 percent over the previous year. Aquatic products, which have hit record high levels of production over the last 12 consecutive years, again set a new production record with 413,000 tons, an increase of 34.3 percent beyond that of 1991.

Agricultural investment increased and agricultural production conditions improved somewhat. Province-wide, finance departments at every level assisted agriculture with 671 million yuan in expenditures, an increase of 8.1 percent over the previous year. In 1992, 684,100 hectares were ploughed by tractor, an increase of 37,300 hectares over 1991. Tractor-ploughed area accounted for 29.3 percent of all cultivated land in 1992, while in 1991 it was 27.6 percent. In 1992, 941,000 tons (undiluted weight) of chemical fertilizer was used, one percent more than in 1991. Rural villages used 1.83 billion kilowatt hours of electricity, 9.1 percent more than in 1991. Field irrigation construction grew, with 1.8553 million hectares effectively irrigated, 7,300 hectares more than in 1991. This accounted for 79.4 percent of all cultivated area, up from 78.8 percent in 1991.

The economic development of agricultural villages ascended to a new level. In 1992, township enterprises in Jiangxi maintained a rapid clip of growth, with total production value of 30.153 billion yuan, 51.8 percent more than in 1991. Total production value by nonagricultural entities such as village industry, the construction industry, the transportation industry, and business hit 28.41 billion yuan (using 1992 values). This accounted for 48.8 percent of the aggregate value of social production in rural villages, up from the 42 percent in 1991.

2. Industry and Construction

In 1992, the entire province actively carried out "Rules Concerning Transformation of Operational Mechanisms in Ownership by the Whole People of Industrial Enterprises," reforms were further intensified in industrial enterprises, accelerated steps toward enterprise technological renovation and mix adjustment were taken, the role of market mechanisms was strengthened, and investment greatly increased, all of which greatly promoted high-speed growth in industrial production. Based on calculations using 1990 values, the provincial gross industrial product was 63.555 billion yuan, an increase of 24.9 percent. Of this amount, 49.551 billion yuan was produced by industrial enterprises located in villages and larger cities, an increase of 18.9 percent over 1991. Province-wide, industrial production value increased by 17.4 billion yuan or 23 percent beyond 1991. Of the village and larger city gross industrial product, state-owned enterprise production grew 14.8 percent, collectively-owned enterprise production grew 29.3 percent, other forms of industry led by "three capital enterprises" maintained a vigorous growth curve by posting 102.5 percent growth, and large- and medium-sized enterprises displayed nice vitality by growing 15.6 percent. Light industry production value in

villages and larger cities was 22.403 billion yuan, a growth of 17.5 percent, while heavy industry production in the same locales hit 27.148 billion yuan, a growth of 20.2 percent.

Production quantities for primary industrial products are as follows:

	1992	Increase Over 1991
Yarn	95,558 tons	12.6 percent
Cloth	296.97 million meters	5.4 percent
Feather Down Clothing	3.2728 million pieces	49.7 percent
Machine-Processed Paper and Cardboard	296,900 tons	15 percent
Machine-Processed Sugar	149,900 tons	6.8 percent
Alcoholic Beverages	366,400 tons	8.4 percent
Cigarettes	504,500 cartons	7.4 percent
Bicycles	596,600	20.5 percent
Watches	752,300	-11.0 percent
Televisions	607,300	24.2 percent
Of Which: Color Televisions	209,800	49.3 percent
Household Refrigerators	149,900	20.3 percent
Camcorders	401,700	-5.6 percent
Cameras	142,000	-12.1 percent
Electric Fans	382,600	-14.5 percent
Raw Coal	22.9876 million tons	4.2 percent
Processed Crude Oil	2.0880 million tons	15.4 percent
Electricity Generated	14.133 billion kilowatt hours	9.6 percent
Steel	1.3251 million tons	21.5 percent
Finished Steel Products	1.125 million tons	16.4 percent
Pig Iron	979,500 tons	16.4 percent
Ten Types of Non-ferrous Metals	102,800 tons	7.8 percent
Industrial Lumber	1.2481 million cubic meters	6 percent
Cement	6.8582 million tons	23 percent
Sulphuric Acid	461,100 tons	1.3 percent
Caustic Soda	65,900 tons	7.7 percent
Agricultural Fertilizer (pure)	342,100 tons	-1.5 percent
Alternating Current Motors	1.149 million kilowatts	19.7 percent
Industrial Boilers	637 tons of evaporation	65.4 percent
Machine Tools	5,923	26.4 percent
Automobiles	24,990	70 percent
Mini-tractors	7,639	-16.3 percent

Industry enjoyed marked growth in economic efficiency, with the composite economic results index rising to 74 in 1992, up from the 69 of 1991. Of this, the sales rate for industrial products was 94.1 percent, the tax revenue rate on capital was 8.07 percent, the cost to profit ratio was 2.84 percent, the frequency of floating capital turnover was 1.49 times, the net industrial production value rate was 25.91 percent, and the overall rate of labor productivity was 6,533.6 yuan per person in the year.

Construction industry production grew rapidly. The annual increase in production value in the construction industry was 2.52 billion yuan, a growth of 30 percent. Production and results in state-owned building and construction enterprises rose across the board, with total production value of 2.03 billion yuan, growth of 33.1 percent beyond 1991, and overall labor productivity was 15,516 yuan per person during the year based on the calculated total production value, representing growth of 18 percent beyond that of 1991.

Geologic prospecting achieved fine results. Ten major mines were either discovered or made the subject of further finds in 1992, with a total of 110,300 meters of completed excavation.

3. Fixed Asset Investment

Fixed asset investment increased dramatically, with total investment in 1992 of 12.35 billion yuan, a growth of 35.6 percent beyond 1991. Of this, investment in state-owned units was 8.09 billion yuan, representing a growth of 37.4 percent, and local projects received 6.06 billion yuan of this for a 50 percent increase. Investment in collectively-owned units in cities and villages and in individually-owned endeavors reached 4.26 billion yuan for a growth rate of 32.3 percent. Province-wide, 4,816 construction projects involving basic construction and renovation of state-owned units were undertaken, an increase of 13.6 percent.

The investment mix continues to improve, with stronger commitments to energy resources, transportation, communications, irrigation, raw materials, and growth in other such items involving infrastructures and basic industries. Looking at investment in state-owned units, agriculture, forestry, animal husbandry, fisheries, and irrigation received 290 million yuan in investment, an increase of 36.3 percent. Energy and raw materials industries received 2.81 billion yuan in investment, representing a growth of 26.9 percent. Transportation, the postal industry, and telecommunications received 860 million yuan in investment for a growth rate of 62.9 percent. Looking at state-owned units, investment in basic construction reached 4.13 billion yuan, a growth of 30.3 percent beyond that of 1991. Investment in renovations hit 2.96 billion yuan, for growth of 43.5 percent. Investment in housing commodities reached 760 million yuan, representing a growth of 58.7 percent.

A batch of key projects were completed and became operational, thereby enhancing the staying power of our economic growth. In 1992, a total of 1,864 items of basic construction and renovation owned by state-owned units were completed

and became operational, major projects of which were: the Number Three and Number Four generating units of the Wan'an hydroelectric plant, the 200,000 kilowatt hour Number Four generating plant which was completed in phase two of construction at the Jiujiang power plant, the 20,000 ton viscose project at the Jiujiang chemical fibre plant, the most difficult construction aspect on the Nanchang bridge, the 80,000 ton synthetic ammonia project at the second Jiangxi fertilizer plant, the Nanchang-Jiujiang motor vehicle highway etc., and completed laying of rails on the Ji'an railway. The following key projects involving technological renovation were completed and became operational: the Jingdezhen 999 plant's Yinsheng surface wave filter production line, the phase two construction of the cement emission pipe at the Jingdezhen 740 plant, the sulphuric acid Xiaonuo antibiotics project at the Jiangxi pharmaceutical factory, the penicillin project at the Dongfeng pharmaceutical factory, etc. New production force additions and newly attained results of significance in state-owned units where basic construction and renovation are complete and operational are as follows: 426,000 kilowatts of installed generators, 10,000 tons of beer, 25,000 tons of synthetic ammonia, 20,000 tons of viscose staple fiber, 183.3 kilometers of newly built highway, 231.5 kilometers of improved highway, 500 tons of sintered iron ore, and 20,000 tons of enriched feed.

4. Transportation, Postal Service, and Telecommunications

Production in transportation, the postal service, and telecommunications continued to grow. In 1992, transportation departments carried goods over a total of 26,386 ton kilometers, an increase of 2.04 percent over the previous year. Of this, railway transport grew 2.01 percent, highway transport fell 5.44 percent, and water transport grew 3.17 percent. A total of 15,751 kilometers were covered carrying tourists, 6.03 percent more than in 1991. Of this, railway tourist transport grew 8.52 percent, and highway tourist transport fell 0.29 percent. Yet, the restrictions placed on rapid economic growth by transportation continue to worsen. Development in the post and telecommunications industries continues to accelerate. Province-wide, the post and telecommunications industries did 506 million yuan in business, for a growth of 39.5 percent. At year's end, there were a total of 173,000 telephone subscribers in cities within the province, 49,000 more than in the previous year. There were an additional 14,400 new cordless telephone subscribers.

5. Domestic Markets and Commodity Prices

Sales of consumer goods on domestic markets showed steady growth. In 1992, a total of 23,059 billion yuan worth of retail social commodities were sold, a growth of 14.5 percent. (The actual increase was 8.4 percent if one deducts inflation.) Of the total amount of retail social commodities sold, retail consumer goods hit 19,762 billion yuan, for a growth of 16.8 percent. Of this, sales to individual residents grew 16.4 percent and sales to social groups grew 21.3 percent. Agricultural village markets showed steady sales growth, while retail sales of

consumer goods at the country level and below hit 12.023 billion yuan, for a growth of 15.7 percent, and retail sales of agricultural production materials hit 3.297 billion yuan, a growth of 2.2 percent over 1991. Comparing retail sales by various economic entities and of various commodities with that of 1991 reveals the following: Sales by state-owned units grew 18.2 percent, sales by supply and marketing cooperatives grew 3.4 percent, sales by other collective economic entities grew 6.6 percent, sales by jointly managed economic entities fell 19.9 percent, sales by individual economic entities grew 20.2 percent, sales by farmers to nonfarmer residents grew 16.8 percent, sales of consumables grew 13 percent, sales of clothing grew 14.2 percent, and sales of practical use commodities grew 16.2 percent.

Purchases and sales of production materials were brisk. In 1992, a total of 6.06 billion yuan worth of various production materials were sold province-wide within the system of material sales. This represents a growth of 50.8 percent over the previous year. A total of 1.043 million tons of steel products were sold, a growth of 23.9 percent; 69,000 tons of cast iron was sold, a drop of 43.5 percent; 28,000 tons of copper was sold, an increase of 33.3 percent; 6,687 tons of aluminum was sold, a drop of 20.5 percent; 326,000 tons of cement was sold, an increase of 0.6 percent; and 15,900 automobiles were sold, an increase of 42 percent.

Strong progress was made on the price reform front, with price adjustments successfully undertaken in the areas of coal, oil, electricity, and home rentals in 1992, and greater latitude was created in the unified grain sales pricing system. Since overall societal demand is relatively balanced, the psychological tolerance of the people is stronger and market commodity prices are basically stable. In 1992, overall retail commodity price increases were 5.6 percent beyond the previous year society-wide. Comparing cities and rural areas, prices in cities and town grew 7.2 percent, while prices in agricultural villages grew 3.9 percent.

Price Increases for Various Commodities in 1992

1. Resident Cost of Living	5.7 percent
Of Which: Cities and Town	7.5 percent
Rural Areas	3.5 percent
2. Retail Prices	5.6 percent
Of Which: Consumer Goods	5.6 percent
Food	7.7 percent
Farm Use Items	1.4 percent
Daily Use Items	0.6 percent
Cultural and Entertainment Items	-4.8 percent
Reading Materials	2.3 percent
Medicine and Medical Items	9.1 percent
Construction Decorative Materials	8.9 percent
Heating Fuel	18.0 percent
Agricultural Production Materials	5.3 percent

3. Service Prices	6.9 percent
Of Which: Cities and Towns	9.8 percent
Rural Areas	3.9 percent
4. Purchase Price of Energy Resources and Raw Materials	7.92 percent
5. Ex-factory Industrial Goods Prices	6.17 percent
6. Purchase Price of Farm Produce and Sideline Products	-1.2 percent

6. Export Economy

In 1992, Jiangxi's efforts at opening up to the outside world led to considerable expansions in both scope and territory. The entire province is now operating under a framework of north-south cooperation, east-west drive, and multi-lateral, multi-level opening up.

Export business enjoyed further growth. In 1992, a total of 902.19 million dollars in import-export business was conducted. Of this, total exports hit 774.96 million dollars for a growth of 27.1 percent, while imports reached 127.23 million dollars for a growth of 33 percent.

Use of foreign capital grew considerably. In 1992, a total of 199.57 million dollars was actually used, an increase of 110 percent. Province-wide, a total of 963 new projects were the subject of new contracts to use 752.21 million dollars in foreign capital. A total of 906 new "three capital enterprises" were approved, 4.6 times more than in 1991.

Marked developments took place in the area of horizontal economic alliances, with a total of 3,550 contracts drawing 536 million yuan in actual capital for cooperative inter-province and intra-province economic and technological projects. Of this, 388 million yuan is accounted for by inter-province deals.

In 1992, a total of 25,043 foreigners, overseas Chinese, persons from Hong Kong and Macao, and Taiwan compatriots (all of whom made Jiangxi their first stop) conducted various exchange activities involving sight-seeing, visiting, and business in Jiangxi. Province-wide, tourist departments logged 66,881 visits from those living abroad, an increase of 10.4 percent over 1991, and tourism-generated foreign exchange reached 45.068 million yuan (in foreign exchange certificates), an increase of 55.1 percent over 1991.

7. Science, Education, Culture, Health, and Athletics

Science and technology business boomed in 1992, with 121 science and technology projects province-wide winning the provincial award for scientific and technological advancement. This includes: 27 projects winning grade-two awards and 94 winning grade-three awards. Five projects in the province garnered national awards for excellence in scientific and technological achievement. Enterprise work at technological development made further strides. Patent management work markedly improved, with patent applications submitted for 954 items in 1992, an increase of 15.6 percent over the previous year, while patents were approved on 428

items, an increase of 42.7 percent. The technology market gained new vitality. Province-wide, the number of organizations engaged in technology business grew to 741. In 1992, a total of 3,233 contracts were linked involving technology, with a value of 122.71 million yuan; and 29 Torch Plan projects were completed. Meteorological departments strove to increase the accuracy and timeliness of their weather forecasts, which meant greater contributions by the weather service to socio-economic results. Social scientific research compiled a list of achievements in 1992, some of which have been put to practical use by departments concerned. These achievements have led to fortunate social and economic results. The ranks of science and technology further swelled, and preliminary efforts to involve the masses in this regard have been launched. A total of 678,000 workers in state-owned units are engaged in technology specialties. Of these, those engaged in specialized technological work involving the natural sciences number 293,000, an increase of 8,000 persons, and those involved in the social sciences number 385,000, an increase of 10,000 persons. Province-wide, there are a total of 112 independent state-owned research and development organizations at the country level or above, with a total of 15,300 employees.

Education, at every level and of every type, made new advances. Development accelerated in ordinary higher education. In 1992, 166 post-graduate students became enrolled throughout the province, an increase of 27 students, while the total number of post-graduate students stood at 450, an increase of 43 students; 20,152 students were enrolled in institutes of ordinary higher education, an increase of 2,885 students, while a total of 59,294 students were pursuing ordinary higher education, an increase of 2,911 students; 17,086 students graduated in 1992, a drop of 231 students. Secondary vocational and technical education made further advances, with a total enrollment of 236,600 students (67,500 of which were enrolled in technical schools), which at 88.5 percent, roughly compares to the total of 267,300 students at the ordinary junior and senior high school levels. Efforts to spread compulsory education have made steady advances, with 85.6 percent of the applicable youth enrolled in junior middle school, and 442,600 children attending elementary school.

Considerable achievements have been attained in the area of adult education, while numerous forms of technical training have seen brisk growth. Adult senior high school enrollment hit 203,000, and adult enrollment in polytechnic schools stood at 34,000. In 1992, 263,000 adults were engaged in self-study high school and secondary school courses, while 73,600 certificates of single course completion were awarded, 201 students received undergraduate diplomas, 3,576 students received advanced technical degrees, and 396 students received mid-level technical degrees.

Cultural enterprise continues to flourish. At the end of 1992, there were a total of 4,009 various types of movie theatres throughout the province, 86 performing arts

groups, 101 cultural halls, 104 public libraries, and 82 museums. Province-wide, there are seven broadcasting stations, 17 launch and relay broadcast stations, broadcasts reach 62.3 percent of the people, and television signals reach 82 percent of the people. A total of 1,468 different types of books, publications, and newspapers were published in 1992, while 369 million books and publications were printed, and 388,000 newspapers were printed.

Steady growth took place in the health industry. There were a total of 5,620 medical and health care activities province-wide at the end of 1992, among which were 2,321 hospitals, 22 convalescent hospitals, 2,611 outpatient clinics, 119 sanitation and anti-epidemic stations, and 115 maternity and child-care centers and stations. In 1992, a total of 118,700 persons were engaged in various health-related occupations throughout the province, among which there were 52,300 doctors and health practitioners, 32,100 nurses and care providers, and 83,600 hospital sick-beds.

New achievements were made in the athletics field. In 1992, athletes from Jiangxi won 19 gold medals, 15 silver medals, and 23 bronze medals in major competitions at home and abroad.

8. Population and Life

Sample results from an investigation into population changes in Jiangxi in 1992 reveal that the annual birth rate stood at 19.53 per thousand, the annual death rate at 7.07 per thousand, and the natural growth rate at 12.46 per thousand. Based on these calculations, the provincial population at the end of 1992 was 39.13 million, an increase of 483,600 persons over the population at the end of 1991.

Residents enjoyed rapid income increases. Investigation samples from cities and towns show that, province-wide, city and town dwellers had an average per capita annual income of 1,419.36 yuan available for living expenses, a growth of 19.2 percent over 1991. After deducting the effect of inflation, the actual increase was 10.9 percent. This was the single greatest annual increase experienced in Jiangxi since the advent of reforms and opening up. Investigation samples from agricultural villages reveal that per capital gross income in farming families was 768.41 yuan, an increase of 65.88 yuan or 9.38 percent over 1991. After deducting for inflation, actual income was 6.1 percent more than in 1991.

The employment ranks in cities and town continue to swell, and employee wage levels have further risen. Province-wide, there were 162,000 workers looking for jobs in cities and town, while at year's end, there were 4,084 million persons employed, an increase of 95,000 workers. A total of 8.6 billion yuan in wages were paid in 1992, a growth of 19.6 percent, while the average wage was 2,154 yuan, an increase of 16.9 percent. State-owned units employed 3.193 million workers, an increase of 53,900 over the level at the end of 1991. A total of

320,000 individuals worked alone in the cities and town, an increase of 17,900 persons.

Savings continued to increase in cities and rural areas. At the end of 1992, residents of cities and rural areas deposited a total of 23.78 billion yuan in savings, an increase of 5.142 billion yuan or 27.6 percent more than in 1991. The people's awareness of financial investment grew, and purchases of stocks and bonds enjoyed marked increases.

Living conditions for residents continue to improve. State-owned units and collective units in cities and towns throughout the province completed construction on a total of 3.6625 million square meters of residential space, while 23.85 million square meters of residential space was newly built in agricultural villages.

Considerable development took place in the area of social welfare and the insurance industry. At the end of 1992, there were 2,125 social welfare units operating throughout the province, and 37,300 persons received services. Province-wide, a total of 32,643 units participate in the old-age social security insurance system, an increase of 24 percent. A total of 423,900 retired workers from state-owned enterprises and industries and collective enterprises at the country level and above partook of old-age social security benefits, an increase of 13.6 percent. A total of 463,600 workers under the labor contract system participated in old-age social security insurance, an increase of 35 percent. Province-wide, there was a total of 110 billion yuan of insurance coverage in effect for various domestic properties and individuals, and the insurance industry had revenues of 779 million yuan for growth of 96.3 percent. At year's end, 6 million families had insurance coverage on family property. The various insurance industries paid out on 670,000 claims worth 440 million yuan. This enabled injured enterprises, families, and individuals to rapidly restore their productivity and operations and to order their lives.

Environmental protection undertakings have enjoyed accelerated growth. At the end of the year, there were 94 environmental monitoring stations province-wide, one state-level natural preserve, and eight province-level natural preserves. A total of 266 projects received investment of 51.2 million yuan to meet environmental pollution abatement deadlines. Sixteen cities (including county level cities) established smoke and dust control zones covering 114.2 square kilometers and 14 noise pollution control zones extending over 32.2 square kilometers.

Explanatory Notes:

(1) References in the report to the gross national product and to increases in the various production values are calculated based on current year prices while growth rates are calculated based on fixed prices.

(2) The gross domestic product and the increases in the various production values primarily include labor pay, profits, tax revenues, depreciation, and other such

values, but do not include energy resources, raw materials, and other such intermediate consumption values. The figures depict the sum totals of material goods and services produced that can be used by the end societal consumer. The main difference between the gross domestic product and the gross national product lies in the fact that the former does not include net income from foreign (and nonmainland) elements, while the latter does include this income.

Editorial on Challenges Facing Guangdong SEZs

93CE0482A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 14,
12 Apr 93 p 2

[Editorial: "What Will the Special Economic Zones Do in All-Out Opening Up?"]

[Text] During the first session of the Eighth National People's Congress, a report came out of Beijing, saying that Guangdong Province seems to have gotten the cold shoulder this session, because attention both in and outside of China, is focused more on Pudong, Shandong, Jiangsu, etc., and not concentrated on Guangdong as before. This question has excited interest, because it is really the same as asking how Guangdong (which really means the three special economic zones) can secure its position, and develop, when China is opening up completely? Or, in plain language, what will the special economic zones do, when there is all-out opening up?

On the surface, ever since the pattern of all-out opening up began to form in China, on the coast, along the river, on the borders, and interior provinces and cities, it seems that there has been a change in the status, and function, of Guangdong. The various preferential policies that, in the past, Guangdong's special economic zones exclusively enjoyed, began to become "ordinary privileges" throughout China. The special policies and flexible measures, granted by the central government, that allowed Guangdong to move a step ahead, are tending to lose value, because the scope of opening up, and the territories opened up, are expanding, and many advantages are being lost. It is not necessary to speak of how other provinces, municipalities, and autonomous regions, view Guangdong; even Guangdong itself, and especially the three special economic zones, often point out that they are now on a level playing field. It is said that they should have a sense of crisis, and they should seriously face up to the new and present challenges facing them. (Actually, the special zones in Fujian and Xiamen have the same problem).

To be sure, because of all-out opening up on the mainland, there has been a change in the position of Guangdong (including Fujian, which was ahead of it). But first, it should be observed that this change is not a bad thing for Guangdong, or for China as a whole. Sharp and rapid growth in Pudong, Shandong, and Jiangsu, as well as various places in the interior, is a good thing for all of

China. It truly demonstrates the power of the policy of reform and opening up. There will be hope for China only if its various localities struggle for advancement. If one region rushes into the lead, while another pursues it, in equitable competition, each supplementing and benefiting the other, then this will strongly propel the development of the whole country. As far as Guangdong is concerned, this change could become a driving force, to stimulate reform and opening up in the special zones, by requiring them to raise their standards, and ascend to an even higher level, on the foundation of what they have already achieved. This is because, within the framework of all-out opening up, the status and value of Guangdong's special zones, as a testing ground for reform and opening up, will not change. In the past 10 and some years, Guangdong and its special economic zones, in the midst of reform and opening up, and national construction, has taken advantage of its proximity to Hong Kong, and learned from the experience of foreign countries in successfully developing market economies. In close keeping with China's national situation, and the practical circumstances of the special zones, took the lead in carrying out market-oriented reforms, and making trial runs. And already successfully fulfilled their function, of making experiments, blazing trails, and promoting China's nationwide reform and opening up. Now, all of China has embraced the establishment of a socialist market economic system, as the goal of reform, and wants to continue reform, and open up in a larger way. That affirms that there is an even greater need for special economic zones in Guangdong, which can, on the foundation they already have, explore more possibilities, acquire more experience, and serve as testing grounds for further experiments.

In the present new phase of reform and opening up, there are certainly many questions, where the special zones are needed to make explorations and experiments, and give answers. For example, how to achieve a high rate of economic growth, on the foundation of structural optimization, technological progress, improved management, and rising efficiency; how to make state-owned enterprises transform their way of doing business, and the government change its function; how to develop a stock system; how to enlarge the scope of opening up, and bring in foreign capital to run tertiary industries, such as real estate, finance, retailing, etc.; how to make laws that establish norms in economic activity, to assure the functioning and development of the market economy; how to improve spiritual culture, at the same time that material culture is being developed ... these problems all await experimentation, enquiry, summation, and dissemination. In these areas, people place great hopes on the special zones. An example is the fact that Jiang Zemin made a 8,864 word speech, on departing a meeting of Guangdong's delegation to the National People's Congress. Obviously, Jiang Zemin hopes that Guangdong's special economic zones can be in the forefront of China, and set a good example, in

liberating their thinking, being pragmatic, building businesses despite difficulties, being honest and above board, and other aspects of entrepreneurial spirit, and business ethics.

It should also be observed that, although some of the advantages of Guangdong's special economic zones will lose value, or no longer exist, in the wake of increased opening up throughout China, there are two advantages that they will still possess. First, they have a head start of more than 10 years, that, materially speaking, has furnished them with a solid foundation, and psychologically, has given them the courage, and the skills, to be pioneering. Second, they are right by Hong Kong, have always learned from Hong Kong, and relied on Hong Kong's cooperation. There are a great many advantages to this, and as 1997 daily grows nearer, Hong Kong's cooperation with them should grow even closer, and produce even greater results. These two advantages make Guangdong's special economic zones fully qualified to continue serving as a testing ground for reform and opening up. According to reports, responsible people from Shenzhen, Jiangtong, and Zhuhai, when meeting with reporters during the session of the National People's Congress, all expressed their desire to meet the new challenges, of the new environment of nationwide, all-out opening up. The objective is to catch up with the four Asian tigers, and the means is to make the special zones even more special. We deeply believe that, proceeding along this path, the special economic zones of Guangdong will give even greater service, as a testing ground for reform and opening up, within the new framework.

FINANCE, BANKING

PBC Official on Accelerating Banking Reform

93CE0529A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese
No 16, 26 Apr 93 pp 17-19

[Interview with Zhao Haikuan (6392 3189 1401), director of the Banking Institute, People's Bank of China, by He Xu (0149 3563), CHING CHI TAO PAO special correspondent, and He Shiyao (6320 1597 1031), CHING CHI TAO PAO reporter, in Hong Kong; date not given: "Accelerating Banking Reform"]

[Text] Mr. Zhao Haikuan is currently director of the Banking Institute under the People's Bank of China [PBC], vice president of the China Banking Society, and a professor and supervisor for doctoral candidates at the graduate division of PBC. He has devoted many years to studying Chinese banking reform and monetary policy, and has written and published numerous works, including "An Introduction to Monetary Banking," "On the Financial Market," "The Transformation of China's Banking Industry," "Banking: Theory and Practice," and "Socialist Financial Market Studies." Zhao Haikuan attended a seminar on "Chinese Economic Development and Reform in the 1990s" in Hong Kong in late February this year and spoke at the meeting about China's

stock market and the circulation and transfer of stocks. The event was reported in this publication. Zhao Haikuan is a newly elected member of the current Chinese People's Political Consultative Conference [CPPCC], after the CPPCC meeting, our reporters interviewed Zhao Haikuan and asked him to talk about the current financial situation.

[Reporter] There are various interpretations and assessments of the current financial situation. Some people consider it grim. Others see no major problems. How do you read it?

[Zhao Haikuan] When it comes to the financial situation, what people concentrate on most often is still the monetary situation. As far as the monetary situation is concerned, we all know that in 1992 state banks increased their lending by 354 billion yuan, or 19.6 percent, and put an additional 115.8 billion yuan into circulation, an increase of 36.4 percent. Both increases greatly exceeded the 12.8 percent expansion in gross domestic output for the same period. If we simply look at this one phenomenon, we have to conclude that the situation is very grim. But the reality is not as bad as we imagine. Last year retail prices rose a scant 5.4 percent. As I see it, these are the principal explanations for the situation: 1) The direct short-term credit market has developed rapidly in recent years, luring away some of the money in circulation and keeping it there, thus lessening the impact of the money supply on the commodity market. 2) The commodity market has expanded now that land, real estate, technology, information, and intellectual property rights have all entered the market as commodities. Part of the money in circulation is needed as a medium for their exchange. 3) Supply is plentiful on the consumer goods market and the sources of merchandise are ample, which goes a long way toward ensuring public confidence and stabilizing the market. 4) Some time must elapse before an excessive expansion of the money supply is translated into price increases. In other words, there is a time lag. To my mind, these are precisely the reasons why the over-infusion of money into circulation last year has not led to runaway inflation. Certainly this does not mean that for residents in a number of large and mid-sized cities, living costs, charges for services, and the prices of some energy and raw materials have not gone up substantially.

According to incomplete data on the first few months of the year, the retail price index for a number of large and mid-sized cities has already reached double digits, which shows that the trend is clearly up in some places. One reason is the over-expansion of the money supply last year, which has now generated inflationary pressures. Another crucial reason is that the money supply actually grew even more rapidly in the first few months of this year than the same period last year. With all localities in a "building frenzy," the scale of investment continues to grow, leading to an over-expansion of the money supply.

In view of the above circumstances, I am not optimistic about the current financial situation. We must keep an eye on it and stay vigilant.

Gratifyingly the situation has now gotten a lot of attention from the center. Early this year, for instance, the CPC Central Committee and the State Council demanded that we "tighten macroeconomic regulation and control and strictly limit the total size of the economy" and "maintain a tight grip on credit and the money supply." The PBC has worked out a general policy on credit work: "Strictly limit total volume, optimize the mix, orient it toward the market, change the mechanism, and increase returns." However, I am still worried that some people will turn a blind eye to the over-expansion of the money supply. Concerned solely with local interests, some local government officials in particular over-emphasize and pursue so-called "achievements," going after fast growth thoughtlessly while ignoring practical results and failing to take the interests of the whole into consideration. The result is that central government policies are distorted or not implemented in full. This is something we should be concerned about these days and do our best to prevent.

Stabilize the Money Supply and Develop the Economy

[Reporter] There is this assumption in public thinking nowadays: To develop the economy, we must keep the money supply growing at a fairly rapid rate. In other words, a fast-growing economy must be accompanied by high inflation. Do you think that is the case?

[Zhao Haikuan] I strongly disagree with that kind of thinking. In my opinion, what sustained, steady, and coordinated development of the national economy needs is a relaxed and sound macroeconomic environment, including a money supply that is suited to economic growth and increasing at an appropriate rate. However, pumping more money into circulation to drive economic growth is not sustainable in the long haul. If we keep this up for long, it would amount to drinking poison to quench thirst. The international experience is that not a single country has taken off economically amid high inflation. The reality in China today is that we have this major dilemma between economic growth and money supply stabilization. How should we keep the economy growing profitably and at a fast pace without causing high inflation? To me the key is to avoid printing money as a means of solving the fund shortage. Right now there are several workable options available to us: 1) Work mighty hard to build up savings (including stocks and bonds). Create a mechanism that can effectively convert savings into investment. 2) Uncover potential sources of funds. Clear overstocked goods. Reduce inventories to cut down on the amount of funds tied up and speed up fund circulation. 3) Dip into the excessive foreign exchange reserve fund as appropriate while maintaining the foreign exchange reserves at a proper level, and reduce unnecessary waste and losses. 4) Attract foreign capital in a big way and use it fully and effectively. 5)

Steer funds, particularly bank credit funds, into sectors that yield the highest return. Work hard to improve the return on funds.

[Reporter] The conventional wisdom in the banking circles these days is that banking reform has fallen behind badly, holding back economic restructuring as a whole. What's your view on that?

[Zhao Haikuan] I don't think China has made any major progress or breakthroughs in banking reform in the last few years. Basically we are still going around in circles within the framework of the traditional system. This probably is true. In the wake of fast economic growth and multiplying economic ties, it is understandable for all enterprises, economic departments and even local governments to clamor for the acceleration of banking reform. But to blame the halting pace of economic restructuring overall on the lag in banking reform is not totally in line with facts.

One of the major problems in China's banking system is that specialized banks act too much like government departments. Since part of their job is to support national policies and politics, they cannot make economic self-interests their sole consideration. For instance, they are required to make loans to aid some money-losing enterprises the state must retain. Under these circumstances, state-run specialized banks have difficulty competing with foreign banks, collective banking institutions, and shareholding banks, not to mention jumping into the global financial market and taking on large multinational banks. Another problem is that the central bank has set up numerous grass-roots organizations and handles ordinary banking operations, preventing it from concentrating on macroeconomic analyses and forecasting and discharging its macroeconomic regulatory and control responsibilities. The third problem is that the central bank is not as independent as it should be, being subject to extensive interference by the Ministry of Finance and local governments. All of this has complicated the drive by China's specialized banks to overhaul their mechanism and become genuine commercial banks. For its part, the central bank has also failed to live up to its billing as a central bank.

The Road Banking Reform Should Take

[Reporter] Premier Li Peng made it quite clear in a recent government work report that continuing banking reform is a key link in the push for the creation of a market economy. It seems that accelerating and continuing banking reform has been put on the government's agenda. Where do you think we should start to continue financial reform?

[Zhao Haikuan] Referring to continuing banking reform, Premier Li Peng said in his report that China should set up policy-oriented banks to handle the making of special loans. I think this would be a major step in continuing banking reform and bringing about progress of a breakthrough nature in China's banking and economic reforms. It would also bring about profound change of

enormous historical significance in the nation's economic system, particularly the banking system. The principal changes will be as follows. First of all, the central bank would no longer involve itself in the nitty-gritty of the banking business. Instead it would become a standard central bank that stands apart from the rest. Second, state-owned specialized banks may enter the market unburdened and compete with other banking institutions in the country as well as major international banks on a level playing field, thus building themselves up as first-rate banks in the world, large, modern, and vibrant. Third, special banks can better handle banking operations with a heavy policy content which the government must control directly or where profit-and-loss considerations do not apply, for instance, making loans to finance the procurement of major agricultural byproducts or to enterprises which offer extensive social benefits but which may not make much money and perhaps are downright unprofitable.

I envision grass-roots people's banks being converted into policy-oriented banks. The detailed operations of a policy-oriented bank include banking business with a strong policy content over which the government must retain direct control and other operations where considerations of profit and loss are irrelevant. In addition, the bank should handle routine banking transactions such as making special loans, some part of the credit business now offered by the Ministry of Finance, and other services which are currently taken care of by grass-roots organizations of the central bank and which must be continued.

I am not saying that by setting up policy-oriented banks, we will have accomplished the important mission of banking reform. It should be accompanied by a change of function at the central bank, a change of mechanism at the specialized banks along with a gradual transition to commercialization, and self-improvement and self-development by the financial market, making endless efforts to achieve standardization, institutionalization, and internationalization. In short, banking reform encompasses many things and is a difficult task.

FOREIGN TRADE, INVESTMENT

Benefits of Participation in Economic Regionalism

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[Article by Cheng Chao-tze (4453 6389 3419) and Wu Chien-chin (0702 0467 6651): "Trend Toward Economic Regionalism of Mainland China and Its Neighboring Countries"]

[Text] Now the trend toward economic regionalism is increasingly apparent in the world. It is expected that a great unified European market, a North American Free Trade Zone, and a East Asian Economic Sphere will be established one after another by the late 20th or the early

21st century. By that time, the world economy will be of a tripartite pattern with Europe, North America, and East Asia as three major economic centers. Such a pattern will be of far-reaching significance to world economic growth and to international financial and trade development. Because of this, the trend toward world economic regionalism has long been followed with interest by economic theorists of all countries in the world. It has also engaged the serious attention of the authorities on the Chinese mainland.

Southward Development: the Greater Chinese Economic and Cultural Sphere

Early last year, some Chinese experts, from a strategic viewpoint, made an analysis of the trend of change in the international pattern and concluded that one of its major characteristics is the rising of collective economies and regional markets, such as the European Community and the U.S.-Canadian-Mexican trade system. In Asia, Japan, South Korea, and members of the Association of South East Asian Nations have all put forth their ideas about economic regionalism based on their respective interests. In view of the fact that Taiwan, Hong Kong, and Singapore (where a large number of Chinese reside) are identical with China in terms of culture and the race of people and that a strong Chinese economy exists in Southeast Asia, China should go ahead to establish a "Greater Chinese Economic Sphere" with itself as the axis. This is a way to exploit the strong Chinese economy existing in Taiwan, Hong Kong, Singapore, and Southeast Asia. By combining financial resources, information facilities, and technical know-how of these countries and regions with its own integrated industrial system, relatively advanced science and technology, competent scientific and technical work force, and cheap labor, China will be able to beef up considerably its competitiveness in international regionalization and collectivization.

From a long-term viewpoint, the Japanese market is hard to enter, while entry into the American market will meet with problems of one kind or another. On the other hand, Southeast Asian countries have vast populations and are complementary to mainland China with respect to commodity demands. They are a virgin land in the Asian market to be developed as well as the soft belly of the Asian economy. For example, Indonesia has nearly 200 million people, who have a moderate-to-low living standard and are in need of large quantities of surplus light industrial products and consumer goods from mainland China. Obviously, this will provide mainland China with a lucrative foreign trade opportunity.

An Embryonic Form of the Greater Chinese Economic Sphere

Since mainland China put into effect the open economic policy, its direct and indirect economic exchanges and trade with Hong Kong and Taiwan have grown at a high speed. Increasing economic exchanges and trade have gradually forged a mutually dependent and inseparable economic relationship between Taiwan and Hong Kong

on the one hand and China's two southern provinces, Guangdong and Fujian, on the other. According to statistics compiled in 1990, this naturally formed economic region had more than 110 million people and a total output value close to \$300 billion. Its development potential is relatively amazing. Commenting on Asia's future development, foreign newspapers and publications describe the economic integration of Taiwan, Hong Kong, and Guangdong and Fujian on the Chinese mainland as a "Greater Chinese Economic Sphere," which they say is one of the four fast-growing natural economic regions in the Asia-Pacific area.

Combining mainland China's military science and technology, resources, labor, and markets with the capital, equipment, applied technology, export systems, financial facilities, and management expertise of Taiwan, Hong Kong, and Macao will gain the advantage of quaternary unity in dealing with outsiders, while each of the four parties can still participate in international division of labor and cooperation as they are doing at present. Some people predict that with the return of Hong Kong and Macao to the motherland and the increasingly enhanced economic ties between Taiwan and the mainland, the 21st century may witness a scene of "one country, two systems, and several different structures" instead of a formal Chinese economic cooperation sphere.

However, Fu Tung-cheng has a more optimistic forecast. In the future, the "Greater Chinese Economic Sphere" will keep developing on the present basis. It may expand further to the southwest by including Guangxi and Hainan and to the northeast by including Shanghai, Zhejiang, and Jiangsu. In a span of five to 10 years, a comprehensive and large-scale "Greater Chinese Economic Sphere," comprising Taiwan, Hong Kong, Macao, Hainan, Guangdong, Guangxi, Fujian, Zhejiang, Jiangsu, and Shanghai, will appear as a matter of course. Then, on this broader basis, it should be possible in another five to 10 years to expand step by step the scope of this highly beneficial economic integration to cover the northern part and the vast inland area of the mainland. By that time, the work of economically integrating Taiwan, Hong Kong, Macao, and mainland China will be completed by and large. If the four parties continue to advance step by step in the direction of economic integration, then the economic prowess of the "Greater Chinese Economic Community," composed of the three localities on the two sides of the Taiwan Strait, is expected to catch up with Japan in the early 21st century and will eventually keep abreast of the United States and the European Community.

Broaden the Mind: Advance to Neighboring Countries

The success of the "Greater Chinese Southeast Economic Sphere" has created a mindset and charted a direction for mainland China, which is opening itself on all sides, to actively develop its economic and trade relations with neighboring countries, participate in international division of labor in the Asia-Pacific area, and

enhance economic and technological cooperation with countries there. Because of this, China has, in a manner of "not refusing any offer," shown an exceptionally positive attitude toward proposals on Asia-Pacific regional economic cooperation and on less extensive multilateral cooperation in smaller areas.

The "Communique of the Chinese and Soviet Communist Parties" signed at the beginning of the 1990s enabled China to regain the right of access to the sea through Tumen Jiang, which right had been lost for almost half a century due to the cession of land by the Qing Dynasty. Since the signing of the communique, northeast China and Inner and Outer Mongolia can make economic contacts through Tumen Jiang with the outside world as far as Japan. With this significant breakthrough in international conditions, the mainland's intent to develop the "Tumen Jiang Economic Sphere" together with Japan, North and South Korea, Russia, Mongolia, and Taiwan is no longer a scheme on paper, but a project that can be pragmatically developed. Now, China itself has made a "Tumen Jiang Economic Zone" proposal, which has been included in its Eighth and Ninth Five-Year Plans. In a report submitted to a UN seminar, Ma Hong, director of the Research Development Center of the Chinese State Council, said: "Northeast Asia is a place where industries of the Asia-Pacific area are concentrated. Yet the potential of economic cooperation has been far from fully exploited." According to his analysis, Japan and South Korea have enormous financial capabilities and are strong in technology, but their problems are scanty resources, high wages, and relatively insufficient labor. Eastern Russia has very abundant natural resources, but is extremely short of labor and insufficient in capital and technology. As for mainland China, the three northeastern provinces constitute the country's major heavy-industry center. The mainland is relatively strong in labor and technology, but lacks capital. The above analysis shows that "the resources and industrial structures of these countries have a relatively striking characteristic of being complementary to each other."

In recent years, the Thai government has put forth a "Mekong River Economic Project" and asked China to take part in its development. In this regard, Yang Rudai, former member of the Political Bureau of the CPC Central Committee, has offered a proposal to "reopen the Southern Silk Road." This economic silk road, opened as early as the reign of the First Emperor of the Qin Dynasty, was called the "Silk Road" during the War of Resistance Against Japan. However, it was closed and blockaded by Western countries in the cold war years of the 1950s. In the opinion of Huang Lien-chih, chief lecturer at the Sociology Department of the Hong Kong Baptist College, construction of a Southwest Asian Bridge will gradually become China's established policy. The significance of this bridge, he added, lies in that it serves as an economic corridor linking the Gulf of Beibu in the Pacific Ocean and the Bay of Bengal in the Indian Ocean.

Meanwhile, China is trying to enter the "Northwest Asian Islamic Economic Sphere," which geographically belongs to the Central Asian Economic Sphere and is headed by Turkey. It is situated at the geopolitical center in the expanse from Northwest China through the Middle East to the European border. Economically, it is more closely related with Tibet, the poorest part of China, and the Central Asian republics founded after the breakdown of the Soviet Union. Vice Chairman Gymer of the People's Government of the Tibet Autonomous Region, has officially announced: "Tibet is planning to open wider to the outside world, develop import and export trade, and establish border ports for trading with Central Asia."

Strategic Maneuvering: Development From the Diplomatic to the Economic Dimension

Since the advent of the 1990s, China and its neighboring countries (regions) have gained a chance for the first time to coexist peacefully. Li Peng's state visit to Indonesia in August 1990 prompted the restoration of diplomatic relations between the two countries. In addition to this, China established diplomatic relations with Singapore, normalized its relations with Vietnam, and in 1992 formed diplomatic ties with South Korea. All these indicate that China's relations with its neighboring countries (regions) are in an unprecedentedly fine condition.

In the 1990s China has carried out frequent activities in the field of foreign affairs, reoriented its foreign policy, and maintained fine relations with its neighboring countries (regions). Based on this macro-situation plus the studies made by the Chinese frontier areas on the actual conditions of neighboring countries (regions) along the border, China has made substantive efforts toward formulating a transnational trade policy and an industrial structure in line with that policy. It is foreseeable that economic cooperation between mainland China and its neighboring countries (regions) will make very quick headway around the turn of the 20th century. Here we would like to offer some ideas:

China's Heilongjiang, Jilin, Liaoning, Inner Mongolia, Hubei, and Tianjin may conduct regional industrial cooperation with North and South Korea, Japan, and the Far Eastern part of the Russian Federation, forming a "Northeast Asian (Sea of Japan) Economic Sphere."

China's Shanghai, Shandong, Anhui, Zhejiang, and Jiangsu may cooperate with Pacific Rim countries (regions), primarily South Korea, Japan, and North America, forming a Chang Jiang Lower Reaches (Estuary) Development System.

China's provinces and regions along the Longhai and Lanxin railways, especially northwestern and western provinces, may conduct cooperation with Mid-East, South and Central Asian, and European countries located on the route of the Second Eurasian Bridge.

After the formation of an "Economic Cooperation System (Community) of Chinese-Inhabited Areas,"

China's Hong Kong, Macao, Taiwan and the southern part of the Chinese mainland may further expand their activities outward. They may carry out industrial cooperation with Southeast Asian countries, forming a "South China Sea Economic Sphere."

Based on the traditional Southwest Silk Road and the Yunnan-Burma Highway, efforts may be made to build a transportation network to link the regions on the rim of the Gulf of Beibu in the Pacific Ocean and those on the rim of the Bay of Bengal in the Indian Ocean. This will create a "Southwest Asian Continental Bridge Development and Cooperation System," which will play a significant role in stimulating the development of China's southwestern provinces and regions (Hainan, Guangxi, Guizhou, Yunnan, Sichuan, and Tibet).

In the writers' opinion, China's economic cooperation with many other countries reflects a law in the process of modernization: "division—integration—unification." Now that West European countries want to develop the "European Community" and the United States, Canada, and Mexico are enthusiastically forming their "North American Free Trade Sphere," China is sandwiched between the economic plates of North America and Europe. How can it develop a "small but complete" or "big and complete" industrial structure and national economy on its own land? China should start from developing sub-regional cooperative systems, such as the "Singapore Strait Development Cooperation System," "Malacca Strait Development Cooperation System," "Mekong River Valley Development Cooperation System," "Asian (Southwest) Continental Bridge Development Cooperation System," "Industrial Cooperation System of Countries (Regions) on the Rim of South China Sea," "Northeast Asian Economic Cooperation System," and "Chinese Economic Cooperation System." Only by successfully managing and operating these systems, can China form and develop large-scale, structured, and well-organized "economic spheres" and "economic communities" with its neighboring countries. Then, the time will arrive when these economic spheres and communities can really match the "European Community" and the "North American Free Trade Zone."

Hong Kong, Taiwan Investment Surges

93CE0537A Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese No 5, May 93 pp 40-41

[Article by Shih Hua (2457 5478): "Every Dick and Jane Is Going To Invest in the Mainland"]

[Text] The past year has witnessed more and more Hong Kong and Taiwan business people going to the mainland to make investment. Not only have new industrial plants been set up on the mainland, but people of all professions, including tailors, hair stylists, and cooks, have gone there to seek their fortunes.

Sino-overseas joint ventures are urgently needed by the mainland. In the eyes of overseas business people,

investment in Sino-overseas joint ventures on the mainland provides a good outlet for their capital. Besides, there are broad prospects and much room for developing such ventures.

One day in April, a noneye-catching newspaper report revealed that during the first quarter of 1993 the "three types of overseas-funded" enterprises (Sino-overseas joint ventures, wholly-overseas-owned enterprises, and Sino-overseas cooperative companies) approved to be established in Zhejiang Province totaled 1,089, or 6.9 times the number approved during the same period last year, while overseas capital introduced into the province through negotiations amounted to \$1.065 billion, 13.3 times the record registered a year ago. The report also said that last year the amount of overseas capital used through negotiations was \$2.91 billion, 3.5 times the total for the previous 13 years.

On another day in April, a newspaper report said that Sichuan Province for the first time listed 16 small and medium-sized state-owned enterprises for sale to overseas investors by transferring their ownership and rights to the use of land.

According to a recent inside document, last year the "three types of overseas-funded" enterprises approved to be established in Beijing Municipality numbered 2,208, or 1.4 times the total for the previous 13 years. The "three types of overseas-funded" industrial enterprises contributed to about 13 percent of the municipality's gross value of industrial production. The tax paid by the "three types of overseas-funded" enterprises amounted to 1.69 billion yuan, accounting for 12.9 percent of the total tax revenue of that municipality.

Sino-Overseas Joint Ventures Are Surging Up

There are many more reports like the above. Most point out that the present figure is so many times the total for the previous 13 years. This shows that the remark made by Deng Xiaoping during his southern inspection tour last year is the most effective motive force in promoting the "three types of overseas-funded" enterprises since the beginning of the reform and open drive. Establishment of such enterprises has become a trend. It is expected that in the future (at least in the next one or two years) business people from Hong Kong, Taiwan, and foreign countries will continually vie to make investment in the mainland, like a surging tide.

In fact, as we have learned during the past year, investment in joint ventures on the mainland has covered almost all professions and trades. Previously, we only learned that some business people went to the Zhu Jiang delta to establish industrial plants, employing as many as some 3 million mainland workers. Now, we know that people going to the mainland to make investments include individuals in the service trade such as tailors, hair stylists, and cooks as well as those engaged in high-tech mass communications like cable television. The locations of investment are no longer limited to the Zhu Jiang delta. Everywhere from Harbin and Urumqi

to Chengdu and Wuhan, there are footprints of business people from Hong Kong and Taiwan. Sino-overseas joint ventures are springing up like mushrooms.

Meanwhile, in mainland cities and towns, "Sino-overseas joint ventures" are used as an advertisement for "guaranteed quality." Wherever you go, you can see signboards showing "Sino-overseas joint ventures."

Why is this?

Ushering in Foreign Capital Is an Indispensable Need

The remark that Deng Xiaoping made during his southern inspection tour merely opened a political gate to allow local governments to formulate their own preferential policies and give them a free hand to use overseas investment without worrying about such criticism as "practicing capitalism." As a matter of fact, there is a real need for enterprises across the mainland to acquire investment from overseas.

First of all, establishing a market economy has become a basic policy of mainland China. It is an irresistible trend for enterprises to go directly to the market and gear their products to market demands. In the past, industrial enterprises made their production plans according to the instructions of the higher authorities, and all their products were marketed by the state commercial department. The result was that production continued to go up, while more and more products could not be sold and had to be kept in stock. Now, every effort is made to change this state of affairs. As overseas business people can bring in the newest market information from outside and this information can affect mainland consumers, enterprises with overseas investment are more likely to turn out products required by the market.

Second, overseas business people are familiar with the international market and can often obtain numerous orders from abroad. This will assist mainland enterprises in putting their products on the international market.

Third, when state-owned enterprises have absorbed overseas investment, their "state-run" nature will change. They will not only enjoy preferential tax treatment, but can get rid of the numerous unnecessary and trivial administrative formalities required by the government. This will greatly help invigorate the enterprises and enable them to stop losses and make profits.

Fourth, many big and medium-sized enterprises established in the 1960s and 1970s are faced with the question of equipment updating, even though they can still operate well and make profits. We have learned that at least 100 billion yuan will be required for updating the equipment of big and medium-sized state-owned enterprises around the country. Now, the state can only appropriate 30 billion yuan to state-owned enterprises. What is more, when this money is appropriated, most enterprises will use it to meet immediate needs such as wage payment, bonuses, circulating funds, and repayment of debts instead of buying new equipment. Lacking

funds to update their equipment, even enterprises with fairly good performance have to be sold out.

Fifth, the Chinese communist regime, proceeding from its political interests, believes that strengthening the mainland's economic relations with Hong Kong and Taiwan will assist it in controlling Hong Kong after 1997 and will be conducive to Taiwan's acceptance of its "reunification" arrangement.

Hong Kong and Taiwan Business People Can Earn Big Profits by Investing in the Mainland

From the standpoint of Hong Kong and Taiwan business people, investment in the mainland is very lucrative.

In the first place, because of the question of country-of-origin certificates for export goods, investment in the mainland has the advantage of using the mainland's export quota.

Second, with regard to the mainland's exports, the past practice was that the mainland manufacturer sold its products to a mainland import and export company, which exported the products. After the manufacturer is turned into a joint venture, it can export the products itself. The import and export company has to earn some money in exporting the products. With the manufacturer doing its own export business, this "middleman" charge can be eliminated.

Third, land, labor, water, and electricity are a lot cheaper on the mainland than in Hong Kong and Taiwan. Low production costs give the joint venture's exports a competitive edge against their peers on the world market.

Fourth, most important is that the joint venture can sell some of its products on the domestic market. The Chinese mainland has a very large domestic market with a great demand for overseas (or overseas-style) goods. Many products have a small sale in Hong Kong or other places overseas, but enjoy a vast market and earn a good profit on the mainland.

Fifth, presently, both Hong Kong and Taiwan are faced with the question of lack of outlets for their capital. Under such circumstances, investment in the mainland is indeed a good way to use their capital.

There Is Much Room for Development, and the Policy Is Becoming Liberal

In view of the need on the part of both the mainland and overseas business people, bright prospects should exist for developing Sino-overseas enterprises. So far, there appears to be no limit to such prospects.

One of the reasons is that mainland China has a vast expanse of land and a huge population, and all its cities remain to be developed. There are very broad prospects for the mainland to absorb capital and management expertise from Hong Kong and Taiwan.

Another reason is that, under the present political climate, the mainland will gradually relax its economic policy and give more preferential treatment to investors from overseas. It will even turn a blind eye on sham joint venture projects. Procedures for approving investment applications will be gradually simplified as well.

Given such prospects, it is believed that providing advice on investment in Sino-overseas joint ventures, preparation of the required legal documents, and concrete operations of the joint ventures will become a new consulting business.

ECONOMIC ZONES

Bright Future Forecast for Shenzhen Real Estate

93CE0486A Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese
No 14, 12 Apr 93 pp 27-28

[Article by Gui Qiangfang (2710 1730 5364), general manager of Shenzhen International Real Estate Consulting Shareholding Co., Ltd., and Zhang Qianjiang, director, Shenzhen Real Estate Institute (1728 0356 3068): "Shenzhen Real Estate: Recent Developments, Forecast"]

[Text] 1992 Market Reviewed

No sooner had 1992 begun than the Shenzhen real estate market experienced another boom. With investors and speculators entering the fray in droves, the market had never been more active. In the second quarter, a spate of high-rise buildings were completed and became available, but demand was so intense that supply never managed to catch up. For instance, people scrambled to snap up a unit in the Guoji Tianan Building. There were 192 units, but thousands of people registered as prospective purchasers. In the end they had to draw lots to determine who the buyers would be. During this quarter housing prices went through the roof and the volume of transactions soared. As we entered the third quarter, the state tightened bank credit and the Hong Kong real estate market slumped, driving down local prices and creating a buyers' market. Compared with the second quarter with its stampede of purchasers, the third quarter was notably subdued. It was a time of correction and assimilation. Only the most desirable properties did well. By the fourth quarter, the market had largely stabilized. After dropping in the third quarter, prices managed to hold steady and actually edged up a little. Supply was plentiful, but the more attractive properties sold quite well. Developers became more selective in the choice of location and sought to enhance their competitiveness with better design and higher quality.

The land market demand outstripped supply and prices kept climbing throughout 1992. In the second half of the year, two parcels of land fetched spectacularly high prices in close succession. One was a tract numbered H107-7 to the east of the Shenzhen railroad station.

Measuring 10,920 square meters in area and earmarked for commercial uses, it was sold for the high price of 38,000 yuan per square meter. Not long after another 18,700 square-meter parcel located in the "golden mile" two kilometers from the Luowu district was publicly auctioned. The final bid, which was accepted, was an even more lofty—53,000 yuan per square meter.

Market Developments and Outlook in Early 1993

With the arrival of the Year of the Rooster, Shenzhen's real estate market shed the sluggishness of late last year and staged a gradual recovery. Between February and early March, trading on all exchanges took a gratifying turn. In the wake of the slump that hit the market in the third and fourth quarters of 1992, it was commonly believed by people in the industry that the real estate market would remain soft for an extended period of time, recovering in May or June. Judging from the present situation, however, we can almost say with certainty the local real estate market has turned the corner earlier than expected. The reasons for the recovery and its characteristics are as follows:

1. There are now more buyers on the market who are genuine users. The primary reason is that housing prices fell in the fourth quarter of last year, enticing back into the market many buyers discouraged by the high prices earlier.
2. The growing demand for office buildings, stores, hotels, factories, and multi-story apartment buildings. The principal reason is that Shenzhen has taken a big stride forward on the reform and open policy front. It has liberalized the requirements for setting up a plant or opening a local office in Shenzhen and simplified the examination and approval procedures a foreign investor must go through before he can go ahead with his project. As a result, the number of new enterprises has soared, sharply boosting the demand for and jacking up the prices of office buildings, stores, hotels, and factories. However, as far as high-rise apartment buildings are concerned, supply continues to exceed demand.
3. Real estate prices have been inching up from the level of the last quarter of 1992. While the prices of villas and other luxury high-rise housing units hold steady on the average, the prices of all other types of real estate, particularly those of multi-story apartment buildings, have risen after losing some ground late last year.

The earlier-than-expected recovery of the real estate market is closely related to the turnaround on the stock market. As China's shareholding economy develops and the variety of stock being traded locally increases by the day, the Shenzhen stock market has become more active and standardized, with alluring prospects. This, in turn, has made real estate investors more confident. It is normal for the housing market, like the stock market, to experience ups and downs. Moreover, investing in real estate is less risky than investing in stocks in that since real estate is a hedge against inflation, investing in it is more secure.

Looking ahead toward the next three quarters, we expect steady healthy development on the Shenzhen real estate market.

To begin with, land supply is now plentiful on the first-grade market in contrast to the past few years when there was a dire shortage of land. This has gone a long way toward stabilizing the second- and third-grade markets by preventing land prices from skyrocketing. To create a market mechanism for fair competition, on the other hand, Shenzhen this year will start selling land mainly through bidding rather than bargaining. By heating up competition, bidding may push up the average prices at which land changes hands, but since there will be many bidding opportunities, price increases should be quite modest on the average.

Second, the average real estate prices are not expected to fluctuate wildly in the next several quarters. However, different kinds of real estate will fare differently in terms of price. The market will remain strong throughout for office buildings, stores, hotels, and factories as developers under-invested in those areas a couple of years ago. Since the mix of construction has just been corrected and new buildings have yet to be completed and put on the market, the prices of office buildings, stores, hotels, and factories are projected to rise by substantial margins in the foreseeable future. Multi-story apartment buildings should continue to sell briskly, with prices rising steadily. There is an ample supply of villas and luxury high-rise housing. The slump on the Hong Kong real estate market is a drag on the high end of the local market and buyers from Hong Kong are not what they used to be. Nevertheless, Shenzhen has taken additional measures to reform and open up to the outside world and simplified project application procedures for foreign investors, so the prices of those types of real estate may go up slightly from last year's level.

Third, investing in Shenzhen real estate brims with promise.

After a decade of development, real estate in Shenzhen has become the city's backbone industry. As Shenzhen takes additional measures to reform and open up itself to the outside world, at the same time further improving its intangible investment climate, its real estate market is full of promise.

First of all, the industry's intangible investment climate has gotten better. Under the second 10-year development plan, Shenzhen is or will take bolder steps on the reform and open policy front. Government is to be streamlined and more power will be delegated. The examination and approval procedures for building a plant have been simplified. Restrictions on investment will be liberalized and a variety of preferential policies will be introduced. All of this will attract more investment. As far as real estate is concerned, Shenzhen has the most coherent body of local laws and regulations in the

nation. The granting of local law-making power to Shenzhen will only quicken the pace of real estate legislation here. The result will be an even more standardized and more orderly market.

Second, the demand for real estate remains tremendous. For one thing, Shenzhen's unique geographical location and policies will continue to attract investors, domestic and foreign, thus spurring demand for office buildings, shops, hotels, and standard factories. Next, Shenzhen is where the floating population congregates. Shenzhen has a disproportionately large share of the floating population, people who are on the move looking for jobs or sightseeing, who are on a business trip, or who are on a study tour. Besides stimulating the development of the restaurant trade, the hotel industry, and retail commerce, the floating population is a boost to the rental housing market. Thirdly, as household incomes rise and the mortgage banking business grows in scope and breadth, the purchasing power of Shenzhen residents also keeps expanding. Fourthly, 1997 is looming on the horizon, but the ratio between real estate prices in Shenzhen and Hong Kong is now 1:3. This explains why Hong Kong people are willing to buy houses in Shenzhen in hopes of reaping an even higher return.

Third, following the nationalization of rural land in the former Poan County, the stock of state-owned land in Shenzhen now stands at over 2,000 square kilometers, sharply increasing the amount of land available for development and hence the supply of land on the market.

Fourth, new policies to be introduced by Shenzhen will be a shot for the local real estate market. To spur the development of the real estate market, Shenzhen is currently hard at work putting together the following measures: 1) properly ascertain the amount of non-market land resources and lower their share of total land supply; 2) increase the supply of land on the market; 3) continue the policy of no-control on real estate prices. Improve the business tax as it relates to real estate to heighten the enthusiasm for buying and selling real estate; 4) ease restrictions on the purchase of real estate as appropriate, gradually forming an open and international real estate market; 5) accelerate the standardization of market behavior and introduce a policy under which four things will be publicly announced: the plan, the sale of land and land prices, rules and regulations for developers, and trading management; 6) the primary real estate market will come under a government monopoly while the secondary market will be opened and revitalized; and 7) improve the management system and speed up the making of laws and regulations pertaining to real estate.

Fifth, the tangible investment climate will be further improved. To solve transportation difficulties and provide telecommunications facilities, water, and electricity without delay, Shenzhen has now stepped up investment and development in those sectors. The construction of a network of freeways with a combined length of 100

kilometers is now under way. With a total investment of 10.3 billion yuan, it is scheduled for completion within three years. At that time through traffic and city traffic consisting of trucks and passenger vehicles will be separated and traffic may move at the speed of 80 kilometers per hour. There will be a passenger subway system consisting of two main lines with a total length of almost 56 kilometers. Phase 1 of the project is scheduled to go into service in late 1996 and Phase 2, in 1998. Also in the works are Phase 1 of the construction of the Shenzhen airport, the Yantian harbor project, the expansion of the city's telephone system, and additions to its water and electricity supply facilities. It is foreseeable that problems like traffic congestion, inadequate communication facilities, and water and power shortages will be fundamentally solved in the future, thereby improving the tangible investment climate as well as the people's living environment.

TRANSPORTATION

China Xinhua Airline Established

*OW1706014993 Beijing Central Television Program
One Network in Mandarin 1100 GMT 7 Jun 93*

[From the "National News Hookup" program]

[Text] [video shows a medium-sized hall with people sitting around several tables, and then cuts to show closeup shots of two unidentified men delivering speeches and medium shots of attendees] The China Xinhua Airline held a ceremony yesterday at the Great Hall of the People to mark the inauguration of the company's operations. It is our country's 20th airline that concurrently operates passenger and cargo transportation services. The airline will have a fleet of four Boeing 737-300 jetliners this year, and will successively open up separate from Tianjin and Beijing to Guangzhou, Shenzhen, and Shanghai. The company will inaugurate the Beijing-Shenzhen flight on 8 June.

Scheduled Flight Between Singapore, Xiamen Opens

*OW0206223093 Beijing XINHUA in English
1508 GMT 2 Jun 93*

[Text] Xiamen, June 2 (XINHUA)—A new scheduled direct flight between Singapore and Xiamen City in southeast China opened today as an "air bus" from Singapore landed smoothly at the Gaoqi Airport here this afternoon.

There will be a regular such to-and-from flight between the two cities respectively on each Wednesday and Saturday.

Previously, there had been five scheduled flights between the two cities each week. The opening of the new flight brought the total flights between the two cities to seven.

Southwest Airlines Begins Flights to Singapore

*OW0506211793 Beijing XINHUA in English
1549 GMT 5 Jun 93*

[Text] Singapore, June 5 (XINHUA)—China Southwest Airlines' maiden charter flight arrived here today.

This inaugural flight marks the first international air link for Sichuan Province.

Among the passengers, Zhou Wei Lian, deputy chief of the Sichuan government's Finance Office was welcomed by officials of the Civil Aviation Authority of Singapore led by Deputy Director-General Ng Wee Hiong.

China Southwest Airlines, which operates 33 domestic flights, starts to operate a weekly Boeing 757 service between Chengdu and Singapore in June 1993, leaving Chengdu at 8:00 A.M. every Saturday and taking off from Singapore at 2:00 P.M. on the same day.

The establishment of China Southwest Airlines' regular charter services to Singapore will further enhance trade, tourism and investment between China and Singapore, said Zhou Wei Lian at Changi Airport.

State Council Approves Opening Up Shenzhen Airport

*93CM0534A Shenzhen SHENZHEN TEQU BAO
in Chinese 5 May 93 p 1*

[Article: "With the Approval of the State Council, Shenzhen Airport Opens Up to the Outside World"]

[Text] It is reported that Shenzhen Airport has opened up to the outside world in the wake of the State Council's approval, thus becoming China's first foreign aviation port that provides water and air coordinated transport. Only in operation for 18 months has the young Shenzhen Airport entered the rank of international airports. This airport took the shortest time in terms of turning its domestic operation into an international operation. To meet international airlines with a new look, Shenzhen Airport Company, under the leadership of the city committee, city government, and with the concerted efforts of units stationed at Shenzhen Airport, has worked steadily to ensure various preparations for international airlines. The airport company organized groups of senior and medium-level technical managers at different times and sent them on a study tour to Chek Lap Kok Airport in Hong Kong and Zhangyi Airport in Singapore. Meanwhile the company vigorously conducted technical training for its personnel on international safety and organized them to participate in the study of international transport, freight, maintenance, and settling accounts. It also organized the study of foreign protocol, service skills, and so forth, and trained more than 500 persons. A great number of frontline personnel have basically met the requirements of international airlines. By drawing on the advanced management experiences of foreign airports, the company organized personnel concerned to work out an operational flow chart for the

international airlines of Shenzhen Airport. After several operational modelings by international special and charter planes and practical tests, the operational flow increasingly improved.

To open up traffic to international airlines, the whole airport made concerted efforts. The public security's branch bureau re-examined and issued certifications to work personnel for entering the isolation areas and the airport for the purpose of strict requirements and strict control; the control center made repeated efforts and opened up communications with Singapore and other places; departments such as transport service actively did work related to quality service; and the waiting rooms, transport department, and maintenance department conducted a thorough examination and maintenance of all equipment. The whole company conducted safety education, examined and stopped up loopholes, and checked on guarding measures. The airport conscientiously and carefully consulted frontier defence departments and customs, unified international certifications for entering waiting rooms and methods for joint inspections, clarified everyone's responsibilities, and worked out relevant regulations.

AGRICULTURE

Agricultural Ministry on Economy in Early 1993

93CE0506A Beijing ZHONGGUO NONGJIHUA BAO
in Chinese 3 Apr 93 p 1

[Article by reporter Cheng Iping: "Fine Rural Economy for First Two Months of 1993"]

[Text] In conveying information on the rural economy recently, a spokesman in charge of information in the Ministry of Agriculture pointed out that the overall situation in rural economic operation was fine during the first two months this year. Crop farming had a good start. The work of spring cultivation and farming preparations are gradually being developed. Animal husbandry, aquatic production, farm reclamation and rural enterprises have witnessed a steady growth.

Right now, spring cultivation has already started gradually from the south to the north. Upsurges have been whipped up one after another in strengthening spring field management for wheat and spring sowing and cultivation. Dwelling on the this year's general situation in preparing spring cultivation, a responsible person of the Ministry of Agriculture also pointed out: Right now, there remain some problems that cannot be ignored.

1. There are difficulties in implementing the spring sowing plan for cotton and grain crops. Material for spring cultivation is not yet available, while there is little progress in doing spring field management work.

2. The price for major farm products such as grain crops and cotton remains low, while that of means of production increases quite sharply. Also, economic efficiency is decreasing. These factors have raised the production costs for farm produce.

3. The funds and means of production for spring farming this year are not readily available this year as compared with previous years.

4. Leading cadres in some localities have not yet truly turned their attention to agriculture.

In addition, except in southwest China where drought continues, signs of drought have begun to show in some other areas such as Hebei, Henan and Hainan provinces. Insect pests have become more serious in some localities.

Therefore, the Ministry of Agriculture has organized a spring cultivation investigation team to go to various key farming provinces and regions to conduct investigation and study and help various localities carry out their work well. Meanwhile, it has also called on various localities to do a good job in carrying out the following three tasks:

1. Strengthen field management for overwintering crops. Right now, overwintering crops in north China have begun to revive from transplanting. We must exert efforts to strengthen irrigation and harrowing and keep moisture in soil so as to have a full stand of and invigorate the seedlings and increase production. Areas in south China must strengthen intermediate and late-stage field management for grain and oil-bearing crops which are to be harvested in summer; and apply additional fertilizer to rejuvenate seedlings. Meanwhile, we must do a good job in opening three types of furrows, speed up weeding, and adopt preventive measures against insect pests.

2. Strive to keep the area sown to grain crops and cotton stable; and firmly implement the relevant policies. Various localities must further strengthen their leadership, strive to increase the acreage of spring crops, adopt effective measures to help peasants maintain their enthusiasm in farming, and stabilize grain and cotton production.

3. Firmly establish the concept of combating natural disasters to reap a good harvest. Various localities must foster the thinking of combating any major natural disaster as well as multiple disasters; and make preparations to keep ample supplies in stock against possible natural disasters. Meanwhile, we must strengthen the work of forecasting insect pest to make early forecast and adopt preventive measures as early as possible so as to reap a good harvest in agricultural production this year.

Models, Strategies for High Efficiency Agriculture

93CE0498A Beijing ZHONGGUO NONGCUN JINGJI
[CHINA'S RURAL ECONOMY] in Chinese
No 3, 20 Mar 93 pp 14-19

[Excerpts] [passage omitted] As revealed in the above comprehensive study, some Western nations in the post-war period have embarked on a path of absorbing a huge amount of rural labor through industrialization, and of making use of their superior industrial base, advanced technology, and capital advantage to subsidize the agricultural sector. They have developed a capital- and technology-intensive efficient agriculture. China's situation is different from the West. China is a giant agrarian nation with a huge population and relatively meager arable land. Currently its rural area has approximately 100 million excess laborers. In the 1990s, although this 100 million excess laborers' employment problem can be solved through rural industrialization and development of the tertiary industry, China's rural area will continue to produce more than 800,000 excess laborers annually. Until the year 2000, there will still exist approximately 100 million excess laborers. It is estimated that until 2010, China's rural area will have at least 50 million excess laborers and the average agricultural production scale will not exceed one hectare. This determines that China should follow the skill-intensive path to develop its efficient agriculture. The following analyzes the realistic condition of the Chinese agricultural sector in four aspects, and proposes some appropriate policy recommendations:

First, China's crop and cash crop per-unit-area yields are average, and its livestock production level is below average. Although almost every Chinese province has some counties where crop yields exceed 1,000 kilograms per mu on average (most of these counties are south of the Chang Jiang) and the highest yield is twice as large as the per-unit-area yield of the Netherlands, the second largest crop producing country. China's national per-unit-area yield level is only average or below average as indicated in Table 1 and Table 2.

Some believe that when crop per-unit-area yields are higher than the world's average by 50 percent, they can be categorized in the rank of world high yield countries. From Table 1 we see that China's wet rice and peanut per-unit-area yields are among the highest in the world. In 1990, China's peanut production reached 145.8 kilograms per mu (0.0667 hectares). China's cotton per-unit-area yield is higher than the world's by 43 percent, close to the high yield rank. Wheat and corn per-unit-area yields are higher than the world's by approximately one-third, while soybean, potato, and tomato yields are below the world's by one-third. As a whole, China's crop per-unit-area yield remains only average in the world. Table 2 shows that China's per-unit milk production is lower than the world average by 482 kilograms; the carcass weight of a Chinese cow is lower

than the world's average by 41 percent, and the production rate is low, it takes 24 months to raise a cow in China, while it takes only 15 months in advanced countries. The carcass weight of a Chinese pig is close to the world's average, but the production rate is low; it takes seven months to raise a pig in developed countries, but 14 months in China. China's chicken production rate is only one-third of developed countries. Therefore, China's livestock husbandry is backward, and this situation needs to be changed.

To increase the crop production level, first the government should emphasize and enforce the construction of agricultural infrastructure, implement a stable and unified agricultural infrastructure investment policy, and increase the percentage of the agricultural infrastructure investment from 4.8 percent in the 1980s to 13 percent in the 1990s. Meanwhile, the government should fully use the advantage of abundant rural labor, and annually organize localities, collectives, and households to engage in farmland construction to increase land productivity. And strive to transform one-third of the middle- and low-yield farmland into stable high-yield farmland by the year 2000. Second, we should give full play to the use of agricultural technology, and practice three-dimensional planting, interplanting, intercropping, and crop rotation, fully use land, space and time, and increase land output. Huantai County, Shandong Province successfully used these methods to increase grain output. Third, we should increase the use of fertilizer from 15 kilograms per mu in the 1980s to 25 kilograms in the 1990s, and this requires that the government increase the production and supply of fertilizer. Fourth, we should increase the use of improved varieties, including the improved varieties of corn, soybeans, and vegetables. The high corn yield of 500 kilograms per mu in Western European countries is largely due to using improved varieties and fertilizer. That Italy became the world's largest soybean producer in the 1980s is mainly the result of the introduction, adaption, and application of a fine American soybean variety.

To improve China's low livestock production situation, first we must increase the use of fine livestock breeds, and import the fine cow breed that can serve as both milking cow and meat cow, and hasten its reproduction. Second, we must increase the conversion rate of feed, and this requires that we use scientific feed formula and practice rational feeding.

Second, there still exist some irrational phenomena of incorrectly allocating agricultural resources. There is excess production of some agricultural products every year, resulting in a sharp decrease of prices due to excess supply. On the other hand, some agricultural products are inadequately produced, leading to a sharp increase in prices. This case is typically related to vegetables and perennial plants. [passage omitted]

This situation is in part due to the inferior distribution channels for agricultural products, but the basic cause is that the majority of farmers make planting decisions based on the current market situation, and this can result

in mistakes in the farming of perennial plants. Meanwhile, some local governments and agricultural administrative units fail to predict and report market trends of some farm products in time, so the farmers lack adequate market information to make farming decisions. This leads to the incorrect allocation of agricultural resources. The countermeasure for the government is thus to predict and report promptly the short-term and long-term farm products' market trends, and to guide farmers in decision making through this market information.

Third, China's agricultural services sector is imperfect. Most typically, the agricultural production material industry is backward, and hardly meets the need of agricultural production. This situation resulted in a prolonged dichotomous pricing system for fertilizer, farm chemicals, plastic film, and diesel, restricting the growth of agricultural production and increasing the cost of agricultural products. Meanwhile, if the supply and demand of agricultural production materials which are crucial products in a nation's economic activities lose balance, structural inflation will likely occur. Therefore, the government should speed up the development of the agricultural material industry, and increase the investment percentage in the agricultural material industry's infrastructure construction from 3.2 percent in the Seventh-Five-Year Plan to 6.5 percent in the 1990s to guarantee the ample supply of agricultural production materials.

The second most typical evidence of the imperfect agricultural services sector is that 70 percent of agricultural technology achievements have not been popularized and applied. Therefore, we should increase the number of agricultural technology promoters, commercialize the agricultural technology, and implement the responsibility system for agricultural technology promotion. The costs of promoting agricultural technology should be borne by the state as in many countries in the world. The processing and distributing of agricultural products should slowly be separated from the agricultural sector and become part of the tertiary industry.

Although China's agricultural R&D as the vanguard of the agricultural development has made some progress since China adopted reform and open policies, it is still highly incompatible with the demand of such a huge agricultural country. Throughout the 1980s, China's agricultural R&D expenditure remained lower than the average of the developing countries. To change this situation, the government should increase its spending on science and technology R&D from 5.7 percent in the 1980s to 8 percent in the 1990s, increase the agricultural portion of the science and technology spending from 9 percent in the 1980s to 12 percent in the 1990s.

Additionally, we should increase investment in agricultural higher education so that the investment growth corresponds to at least the growth of China's agricultural output. This investment growth rate should be set at 6.5 percent in the 1990s.

Fourth, China's agricultural productivity is low. China's agricultural productivity is lower than the world's average by more than 30 percent as shown in Table 3; the agricultural sector is based on low productivity. It is possible, however, that China will increase its agricultural productivity up to the world level by the year 2000. The next goal is to reach Japan's agricultural productivity level by the year 2050. To do that, first China needs to develop its rural industry and the tertiary industry, transform agricultural labor to nonagricultural labor, and increase the concentration of land and the agricultural mechanization. Second, the central government and local government should implement the Spark Plan which emphasizes the importance of agricultural technology in developing China's agriculture. Since approval of the Spark Plan by the State Council in 1986, China has produced 34,691 exemplary projects, with total investment of 22.6 million yuan, has developed and promoted 100 pieces of technical equipment suitable for agricultural development, and has trained 8.9 million agricultural technicians and managers. The Spark Plan can play an important role in increasing agricultural productivity and developing the rural economy. Third, every locality must systematically and periodically transform the low-yield farmland into stable high-yield farmland.

In sum, China has a bright future in developing skill-intensive efficient agriculture. One important prerequisite, however, is the need to control the growth of rural population.

Table 1: Crop Production in 1991 (Unit: kilo/mu, 0.0667 hectares)

Crop Varieties	Highest Country	World Average	China
Wheat	528.8	163.8	210
Corn	680	240	294
Rice	500	234.6	377.5
Soybeans	212.5	124.4	86.4
Peanuts	430	78.6	132.4
Cotton	279	101.7	145.6
Potato	2954.5	962.2	723
Tomato	24444	1565	1042
Oilseeds	252.5	94	81.6
Tobacco	180	96.7	106

Source: FAO Statistics Quarterly 1992 and FAO Production Yearbook 1991

Table 2: Livestock Production in 1991

Livestock	Items	Highest Country	World Average	China
Milking Cow	Average Milk Production	8366 Kilo	2039 Kilo	1557 Kilo
Meat Cow	Production	0.8		0.5
	Carcass Weight	386 Kilo	205 Kilo	121 Kilo
Pig	Production	1.8		0.9
	Carcass Weight	111 Kilo	76 Kilo	71 Kilo
Sheep	Production	2.2		1.1
	Carcass Weight	27 Kilo	14 Kilo	11 Kilo
Chicken	Production	40 days		120 days

Source: FAO Statistics Quarterly 1992 and FAO Production Yearbook 1991.

Table 3: Agricultural Productivity, 1991

Country	Unit Farmland (hectare)	Crop Production Per Capita (Kilo)	Meat Production Per Capita (Kilo)
Netherlands	3.87	5200	1530.4
Japan	1.04	3590	888.6
World Average	1.30	1751	140.7
China	0.29	1212	91.6

Source: FAO Statistics Quarterly 1992 and FAO Production Yearbook 1991.

Ministry of Chemical Industry Supports Agriculture*93CE0492B Beijing NONGMIN RIBAO in Chinese
19 Apr 93 p 1*

[Text] To implement the guidelines from the party Central Committee and the State Council on strengthening rural work and insuring a good grain and cotton harvest this year, the Ministry of Chemical Industry has overcome difficulties in raw materials, energy, transport, and rising prices and strived to increase production of chemicals for agricultural use. It is learned that in the first quarter of this year, production of chemical fertilizers totaled 22,463,000 tons (in terms of standard content of active ingredients), fulfilling 21.4 percent of the annual plan, and pesticides totaled 57,000 tons (in terms of 100 percent active ingredients), fulfilling 27.1 percent of annual plan.

At the same time, to implement the guidelines from the cotton conference, solve the problem of high drug-resistance bollworms, and insure increased cotton yield this year, the Ministry of Chemical Industry has already

arranged 19 special technological research projects on pesticides with an investment of 200 million yuan to develop new varieties of pesticides. Moreover, in accordance with the spirit of the instructions from the leadership of the State Council, the Ministry of Chemical Industry is currently getting in touch with the State Planning Commission and other departments concerned to make arrangements for the intermediate testing at the Tianjin Pesticide Company of the "Bei Nong 931," a new type of pesticide for the prevention and control of drug-resistant bollworms developed by the Beijing Agricultural University, and to conduct field demonstration and popularization during the cotton-growing season.

Besides, the Ministry of Chemical Industry, in coordination with the provinces and municipalities and following the guidelines of the "Circular of the State Council on Strengthening Control Over Prices of Agricultural Means of Production and Setting Ceiling Prices for the Major Varieties," has set the ceiling prices for chemical fertilizers and pesticides to protect the peasants' enthusiasm to grow grain and cotton and increase both production and income.

Causes, Effects of Reform Engendered 'Grey Mentality'

93CM0284A Hong Kong TANGTAI [CONTEMPORARY]
in Chinese No 25, 15 Apr 93 pp 56-57

[Article by Guo Jian (2654 6015): "Grey Mentality—An Undercurrent in Reform"]

[Excerpt] We can roughly categorize into three types the current mentality of mainland Chinese to reform. The first type is a rational consideration engendered from truly wanting the country to be strong and the people happy, and determining that reform is the only way out. Therefore, under this type of mentality there is genuine agreement in ideology, active participation in action, healthy mentality, and positive attitude. The second type starts from personal gains and is instinctively averse to reform. The third type is that, due to uncertainty in gaining benefits, agreeing with reform is out of the question. This is what this article refers to as grey mentality.

Compared with the other two types of mentality, "grey mentality" has its uniquenesses. First, this mentality is not vocally against reform. On the contrary, the reason why people with this mentality are able to reap some profit is that they take advantage of the opportunity of reform. Therefore, this type of mentality can be tolerated by the populace. Second, this type of mentality has a strong tendency to proliferate. Because reform will, sooner or later, more or less, affect each individual's interest, and mental shock will result from this. Also due to the difficulty and complications of reform, it is difficult to foresee clearly the future of reform. Therefore, it is extremely easy to proliferate and form the mentality of reaping some profit when opportunities are available.

It is because the afore-mentioned two characteristics of "grey mentality" that social behavior engendered by it has corroded and continue to corrode reform achievements. Its direct outcome is: The state treasury became poor, and individuals' pockets fatten. This kind of corrosion primarily takes the following forms:

Tax evasion is common occurrence. According to investigation and assessment of some departments concerned, throughout the country about 50 to 60 percent of state-run and collective enterprises and more than 90 percent of the individual and private enterprises are involved in tax evasion. Every year the total volume of tax evasion is around 50 billion yuan. "One cannot get rich without tax evasion" seems to have become a self-evident truth.

Taking advantage of the power in one's hand and leaving no loopholes untied. Some departments and individuals avail themselves of loopholes in the double track price system. They speculate and reap staggering profits by exploiting their power. According to statistics, in 1988 alone the state suffered a loss of 100 billion yuan in this connection. Also, according to a typical investigation of a certain province, depositing public money in personal

accounts constitutes approximately five to 10 percent of the total deposits of finance agencies. Thus, it can be inferred that throughout the country public money deposited in personal accounts totals more than 100 billion yuan, with an annual loss of bank interest in the amount of 3 billion yuan or so. Rebates as a form of yielding profits among industrial and commercial enterprises is a normal phenomenon. However, nowadays rebates have become the so-called "benefit fees" and directly fall into personal pockets. Just imagine that at present so many fake and inferior products are able to imposingly swagger through the streets, what a firm role the explicit and implicit "benefit fees" must have played!

Profit withholding, and grey distribution are prevalent. Some departments use various means to withhold and transfer the profits that should be turned in to the state. For instance, they artificially exaggerate costs, make up losses in accounts, and so forth. They set up a "little treasury" in their own departments, try every possible means to play "edge ball," and recklessly distribute money and materials to their staff. According to estimates by departments concerned, across the country staff income apart from their wages has increased from 20.8 billion yuan (accounting for 15 percent of the total staff wages) in 1985 to 77.3 billion yuan in 1990, making up 26.2 percent of the total staff wages. At present, grey distribution is presenting a worsening tendency. Some account for 40 to 50 percent of the total staff income, some even higher than wages by several times or several 10-fold. There is a pet phrase which goes like this, "wages are for pocket money, and bonuses for purchasing big items." The direct consequences resulting from this are: The existence of wage scales has lost its significance, and enthusiasm for work, training in a spirit of respecting professions, and stimulating role will be zero. The distribution of income apart from wages is not based on a mechanism that links income to achievements. As a result, there has formed a strange ring of "people earning little dislike getting little, and those earning much still grudge that they are getting little." This has zero effect in training a spirit of respecting professions and stimulating production. Sometimes even the numbers can be in the negative.

Being generous at the expense of the state and seeking personal gains. Under the support of the "grey mentality," some departments and individuals eat, drink, do sightseeing, and seek high consumption with public money. They leave no stone unturned to practice this way despite repeated forbiddance. The so-called "if one does not eat with public money, it is in vain. But eating does not cost him a penny" is just a photocopy of this type of mentality. According to the State Statistical Bureau estimates, 60 to 70 percent of the businesses of large and medium sized hotels and restaurants all over the country derives from receptions given with public money. The most conservative estimates: as much as 80 billion yuan of public money are spent on feasts annually across China. In addition, according to information

disclosed by the Ministry of Treasury, the national expenditures for conferences during the Seventh Five-Year Plan increased by 21 percent annually. Apart from this, some organs, enterprises, and institutions compete with one another in seeking high consumption, and extravagance is prevalent. According to statistics, from January to September 1992 expenditures for nonproduction consumption by groups in China's 21 provinces, cities, and autonomous regions increased by more than 30 percent, compared with the same period in 1991.

Embezzling and taking bribes to fatten personal pockets. In the process of tremendous changes that take place in breaking old systems and establishing new ones, some people, in the face of ever-changing situations, bear evil thoughts and take every opportunity to "keep a way open for retreat" for themselves. The currently prevalent phrase "power, if not put to use, will be invalid after the specified date" is the behavioral criterion of this type of person. According to statistics, in 1989 alone procuratorial agencies in the whole country investigated more than 10,000 cases of embezzling and taking bribes worth over 10,000 yuan each.

The formation of grey mentality has its significant reasons. To be brief, there are the following reasons:

1. Continued reform promoted the distribution system to develop toward justice and fairness, especially after a market economy was established at the 14th CPC National Congress, and weakened some people's vested interests. Therefore, these people have a sense of not knowing in the morning what may happen in the evening. They also know that reform cannot be reversed, and their opposition is in vain. Therefore, they seek personal gains extremely desperately.
2. The ever-changing nature of policies in the past puzzled some people about the future. Afraid that "once this village is passed by, there will not be the same store again," they try every means to take advantage of loopholes in policies, and leave no stone unturned to play edge ball.
3. In the transformation of new and old systems, and owing to a lack of complete measures that match reform, some people are objectively provided with the possibility of taking advantage of loopholes. Once these people have their way, it is easy for them to produce adverse effects and help people around them form a grey mentality.

[passage omitted]

Liu Shipu on Internal Security, Police Work

93CM0313A Hong Kong TZU CHING [BAUHINIA MAGAZINE] in Chinese No 5, May 93 pp 14-16

[Article by Hsu Ya-ya (1776 7161 7161): "Public Security and Police Work on the Mainland—Talk With Public Security Ministry Spokesman Liu Shipu"]

[Excerpt] Beyond my expectation, in the not-too-spacious office of Liu Shipu, director of the General Office of the Ministry of Public Security and concurrently the ministry's spokesman, there was a single bed. As far as I know, most police officers in China have such a piece of "equipment" in their offices. This shows they have one thing in common and that is busy police work.

Our short interview, which lasted only two hours, was interrupted five times by "urgent official matters." Liu Shipu could not help but apologize to me again and again.

"It is a pleasure to meet a reporter of TZU CHING, and through TZU CHING, to brief our friends and compatriots in Hong Kong on the mainland's public security condition and police work." Liu Shipu made this "opening remark."

"I know that the Hong Kong people are deeply concerned about the public security condition on the mainland. I can understand their concern because the mainland and Hong Kong are as closely related as...." he tried to find a proper word, "as brothers. They are inseparable. I also know that there are different views among the Hong Kong people about the mainland's public security. Some even have rather adverse criticism." He paused to think for a moment and then said: "Certainly, the present public security condition and police work on the mainland leave much to be desired. But this is a complicated question that should be analyzed from a historical and objective viewpoint. You cannot simply say it is good. Still less can you simply say it is bad."

"First, we should view the public security condition of Chinese society over the past few years against the macro-background that our country has been undergoing a profound change. During the 1950s and 1960s, China was world-renowned as a country with very few crimes—or criminal cases as they are commonly referred to in Hong Kong. At that time, it enjoyed the good reputation of 'no one picking up what others left on the roadside and no need to close doors at night,' as the saying goes. That state of affairs was, of course, gratifying and worth yearning for. However, China at that time was a secluded country with a backward economy, and the people's living standard was low. Now, reform and opening-up have brought prosperity and development to China. People seem to believe that with the reform, opening-up, and the progress of society, there should be still better public security, and crimes should not increase. In fact, this is only a nice wish."

Putting out his cigarette, Liu Shipu continued:

"In the final analysis, the question of public order is essentially a question concerning crimes. Crimes are a

complicated social phenomenon, a comprehensive reflection of social contradictions. For instance, our efforts toward reform, opening-up, and the establishment of a socialist market economic system have brought about a quick flow of large amounts of production elements, such as personnel, commodities, and money. This is a good thing, of course. But it has also provided more opportunities for crimes. Besides, China is a big agricultural country. In the course of modernization, there is surplus labor among the 800 million farmers, and a massive amount of such surplus labor is flowing to cities. This is a kind of social progress, but without doubt, it has a great impact on the social order and public security of urban areas. Another question is that 'eating from the big common pot' and 'equality' of income long hampered our economic development. Now, some localities and people have become better off than others. Inevitably, this has disquieted other people psychologically. So some are trying to catch up by relying on their hard work and wisdom. Others are resorting to criminal acts to satisfy their material desires. Things like this can add to the number of crimes. In the course of our modernization drive, we hope to set up, as soon as possible, some new social-management and security mechanisms compatible with our economic development, including a series of laws and regulations to govern economic operations. However, this will take some time—it cannot be accomplished in one move. In China, which is a big country now at a crucial juncture of profound changes, some bad elements may take advantage of the loopholes of our laws, regulations, and rules to commit crimes. So at one time the number of crimes may go up, and disorder may occur in certain parts of society. This is certainly hard to completely avoid. If we look into the history of development of other countries in the world, we will see that almost every country had such a problematic period, though of varying degrees of seriousness."

"What is more," Liu Shipu lighted another cigarette and went on, "I have to point out objectively that the Chinese government and public security organs have paid great attention to the public order problem arising in the course of reform and opening to the outside world. They have made strenuous efforts to create and maintain a fairly good social order. Without these efforts, China's public order problem would be much more serious."

"At present, the public security condition in mainland China is not ideal. But it should be rated as fairly good, compared with many developed and developing countries."

"You are making a horizontal comparison, aren't you?"

"Yes. The crime problem is now a global issue. Many countries have a crime rate of 200 to 300 and even between 500 and 600 per 10,000 people. In China, the present crime rate, though much higher than the past, is only 40 to 50 per 10,000 people. Even in the most crime-prone areas, the rate is merely around 100 per 10,000 people."

"Moreover, the police-to-population ratio in China is the lowest in the world. You can make a calculation. Our public security organs have some 800,000 workers. This, plus the armed police force, accounts for only 1.7 per 10,000 in the total population. In 1992 they cracked down on more than 3.6 million cases of one kind or another based on the reports received. Among them, some 1.08 million were criminal offenses, including some 14,000 drug trafficking cases. A total of 4,489 kilograms of heroin were seized (incidentally, some 3,900 kilograms were seized in Yunnan Province; this is another proof that most drug trafficking cases originated from outside). Meanwhile, nearly 200,000 guns of various types illegally possessed by people were confiscated. Among them were 2,291 standard-type guns used in the military. In addition, the police cracked down on more than 16,000 cases of abducting and selling women and children and ferreted out some 24,000 prostitutes and brothel patrons. These figures, on the one hand, indicate the existence of a relatively serious problem of public order. On the other hand, they also prove that the police have done their best and work seriously, and their work has achieved significant results."

He continued: "I made two short visits to Hong Kong. On Christmas night of 1992, I took a stroll in the Wan Chai and Causeway Bay areas. The streets were brightly lighted and extremely crowded. Out of my professional habit, I noticed that large numbers of cops were either patrolling or stationed at major intersections and public places. If you looked around, you could see them. That naturally gives you a sense of security."

"This has led me to reflect on the question why the Hong Kong people feel that public security on the mainland is not as good as in Hong Kong. I think one reason is that the mainland and Hong Kong have very different environments. Generally speaking, Hong Kong is a city, while the mainland has a vast population and its cities are surrounded by villages. Another reason is that Hong Kong has spent a relatively long time modernizing its police, while the mainland is still at an inceptive stage in this respect. Accordingly, the police of Hong Kong (and many developed countries) has a much more effective work method to control order in streets and public places than the mainland police. The control power of the mainland police in this respect is still relatively weak. This is apt to give people an impression of bad public order. But this does not mean a disorder in public security. Both Beijing and Shanghai are cities with about a 10 million population. Now, each has less than 1,000 cases of murder and robbery annually, much less than the number of such cases in many big cities in the world, including Hong Kong. There is a weird phenomenon: On the one hand, some public figures in Hong Kong feel that the mainland's public security is bad. On the other hands, most foreign diplomats and business people say that they have a greater sense of security when staying in China. These two views are contradictory to each other, but they both have a certain degree of reasonableness. Presently, China's public security condition is not ideal.

To a great extent, this is due to a lack of effective control over the order in streets and public places."

"You are comparing your weakness with others' strong points. This is a weakness versus strong points' comparison, isn't it?"

"You may say so. Seeing our own weakness and learning from others' strong points is beneficial and does no harm."

With a humorous smile, Liu Shipu went on: "Deng Xiaoping, chief designer of China's reform and open policy, said that China should act more boldly to absorb and draw on the advanced management experience of other countries. As I understand it, this should include experience in managing public order. At present, our public security organs have begun energetically re-deploying the police force and gradually putting into effect a patrol system in big and medium-sized cities. News in this regard has been reported by the Hong Kong media. In a few years, I believe, our Hong Kong friends will see a significant improvement of our police's control over the order of public places, either through the media or on their personal visits to the mainland."

"There is another question worth mentioning: I feel some people in Hong Kong are more or less of the opinion that the increased number of public security problems in Hong Kong in recent years is caused by the mainland."

"Right. Some Hong Kong people and media units are rather inclined to this view." I had the same feeling.

"At first hearing, this view sounds reasonable. Isn't it true that there are more crimes committed by bad elements from the mainland? Some of the guns used in robberies came from the mainland. There are things like that. If we get to the bottom of the matter, however, the story is not exactly so. Since the mainland launched the reform and open policy, both Hong Kong, which is a free port, and the mainland have greatly benefited. The mainland and Hong Kong have greatly increased their economic and cultural exchanges. With regard to criminal offenses, of course, they can hardly avoid mutual influence and infiltration. It is hard to say exactly who affects whom. We never say that Hong Kong should be responsible for the increased problems of public security on the mainland. Likewise, it is not right to put the blame on the mainland for the increased number of certain public security problems in Hong Kong. We Chinese have an old saying: 'If there is no thief within a household, no robber can be ushered in from outside.' As far as we know, almost all the so-called 'bad elements from the mainland' committing armed robbery or other crimes in Hong Kong have links with Hong Kong's criminal elements or underworld societies. Some were even recruited from the mainland by lawless people in Hong Kong."

"A Hong Kong friend told me personally that the hometown-revisiting certificate of his colleague was stamped

by a public security organ in Guangdong, showing that this man had committed a disgraceful act. I do not approve of this kind of treatment, which is being practiced by some of our grassroots public security organs. However, this matter shows more or less that some unhealthy things on the mainland are connected with the unhealthy habits of certain people from Hong Kong. We do not put the blame on Hong Kong for the increased public security problems on the mainland, nor should Hong Kong throw such a blame upon the mainland. As to who should be responsible for Hong Kong's public security, now it is the British Hong Kong authorities. After 1997, it will be the government of the special administrative region. This goes without saying."

"Of course, what I have said in no way means that we are not concerned about Hong Kong's stability. The 6 million compatriots in Hong Kong are our flesh and blood. How can we have no concern about each other? The past few years have seen a lot of effective cooperation between the mainland and Hong Kong in striking at crimes and maintaining public security on both sides. If a criminal flees to the mainland after committing a crime in Hong Kong, the mainland public security organs, particularly those in Guangdong, will take very serious action to search for and arrest the criminal upon receiving notification from the Hong Kong police. As far as I know, in 1992 alone, the mainland police arrested 15 such criminals and sent them to the police authorities in Hong Kong. Of course, sometimes problems have occurred in this cooperation. On such occasions, we have always taken a positive attitude to consult with Mr. Li Chun-hsia and other police officers in Hong Kong. In our opinion, the Hong Kong police officers are working hard to maintain Hong Kong's social order and safeguard the people's safety. As for us, friendship and cooperation are what we are longing for. Even though Chris Patten has recently stirred up a controversy on the political system, we still want to continue our cooperative relationship with the Hong Kong police."

"Of late, some people have made the statement that the Chinese public security organs not only refrain from attacking Hong Kong's underworld, but on the contrary, take it as a target to win over under the united front strategy. What is your comment on this?" I asked.

Liu Shipu raised his thick eyebrows and said seriously: "This is an out-and-out sensational allegation aimed at frightening people. It is a very irresponsible distortion of

facts. We are consistently opposed to the criminal activities of the underworld. We never allow any outside underworld force to come in to form organizations or take the mainland as a haven. We deal resolute blows at all law offenders. Our actions always match our words, and our laws, once promulgated, are enforced to the letter. As a matter of fact, quite a number of underworld elements engaged in drug trafficking, smuggling, currency forging, and organized illegal immigration have been arrested and severely punished by us according to law. Safeguarding Hong Kong's prosperity and stability is a common aspiration shared by all people in our country from the top down. I hope that the public will not be affected by those who have wilfully created the erroneous public opinion to sow discord between the mainland police and our compatriots in Hong Kong."

I asked him to say something about how to improve the quality of public security workers.

He said: "As a cadre doing public security work for years, I am well aware that China now has numerous problems with respect to the improvement of its public security contingent and police work—problems that are not compatible with the needs of the new period of reform and opening-up. Due to the practice in the long past, China should conduct major reforms in its police work, including recruitment, education and training, administration and supervision, installation of organizations, and the duty system. Only thus can we meet the needs of opening to the outside world, invigorate the domestic economy, and build a socialist modernized China. Now, we are vigorously exploring ways to achieve this objective. The Chinese police from the top down are firmly supporting Deng Xiaoping's theory of building socialism with Chinese characteristics and resolutely carrying out the party's basic line. We are willing to offer more and better services for the prosperity of our motherland and the happiness of the people, including those who come from overseas to make investment—they also include our compatriots from Hong Kong. We have already done something and adopted some measures to simplify work procedures, raise our work efficiency, and improve our services, and will make more efforts in these respects in the future. But there is no denying the fact that time is required for our improvement and reform. Just as we warmly and sincerely welcome criticisms, suggestions, and supervision by people on the mainland, we warmly and sincerely welcome criticisms, suggestions, and supervision given us by people of all walks of life in Hong Kong as well as in other places overseas." [passage omitted]

CENTRAL-SOUTH REGION

Zhao Fulin on Media Role in Market Development*93CM0314A Nanning GUANGXI RIBAO in Chinese
25 Apr 93 p 1*

[Report by He Bo (6320 3134): "Zhao Fulin on Media's Participation in the Great Discussion of the Issue of Developing a Socialist Market Economy"]

[Text] On the afternoon of 23 April, the autonomous region party secretary Zhao Fulin [6392 1381 2651], while meeting with reporters from this newspaper, Guangxi Television Station, Guangxi Radio Broadcasting Station, and some other media, expounded on the purpose and significance of carrying on the great discussion of a socialist market economy in the region. He proposed: The primary purpose of carrying on this great discussion is to help people transform their mentalities and change their minds. To change minds means that we must make a shift from the sense of a traditional planned economy to a socialist market economy. To this end, we must firmly grasp the crucial and comprehensive issue of a socialist market economy to change our minds, emancipate our minds, transform our views, open up a new situation with new ways of thinking, and accelerate the economic development of Guangxi. At the same time, he put forward his hopes and requirements as for how the press and media could play the role of providing directions in this great discussion. He emphasized that it is everybody's business to establish a socialist market economy, and discussion columns opened up by various media is a very good move. We should further mobilize people from all walks of life to talk about it, and make sure that this will be done truly vigorously, and will strike root in the hearts of the people.

After expounding on the great importance of proposing the establishment of a socialist market economy at the 14th CPC National Congress, Zhao Fulin proposed that China's shift from a planned economy to a socialist market economy is a great and profound change. In this course, it is inevitable that different understanding and different points of view could come into being in people's minds. People may even have all kinds of worries, doubts, and misgivings. For instance, some people are concerned that a market economy may lead to capitalism; some fear that inflation is difficult to avoid under the market economy; and some are worried that polarization will appear, hideous phenomena increase, and so forth. Carrying on the great discussion of a socialist market economy is supposed to, through studies and discussions, practically free cadres and masses from fears and worries, clarify the blurred understandings, foster concepts among the vast numbers of cadres and masses that will suit the socialist market economy, such concepts as reform, market, competition, science and technology, efficiency, and so on, strengthen the self-consciousness and firmness of developing a socialist market economy, and create good environment for the media to promote the development of a socialist market

economy. To this end, he required that leaders at all levels, the vast numbers of party member cadres, social scientific workers, and enterprise managers in the region make a profound change in their modes of thinking, mentality, leadership, and work methods. In a word, we must arm our minds with Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, emancipate the mind, seek truth from facts, and be bold in practice in accordance with the law of a socialist market economy.

Zhao Fulin made further analysis by involving Guangxi's concrete conditions. He said that if Guangxi wants to achieve a great economic development, much work still needs to be done. However, the most fundamental thing is to emancipate the mind and transform our concepts. If we say that we lagged behind in the past, our disparity was our thinking and understanding. If we say some changes have taken place in recent years, we can say that the biggest change should be the changes in our thinking. If it were not for this type of change, we would not have made this kind of achievements in our various work. If our thinking was not changed, all kinds of reforms and accelerations we have been talking about would be empty talk.

When talking about the press and media's role of providing direction, Zhao Fulin first gave full credit to the region's press and media for their propaganda during the primary stage of the great discussion and their recent move to open up new columns. He pointed out that the great discussion will not work without the press, and if propaganda catches up, people will be helped to emancipate the mind, transform their views, and seek truth from facts. He hopes that the press and media will give full play to their advantages, adopt varied and interesting methods to run good columns, and provide a good position for unfolding discussions. Meanwhile, he proposes that through these columns social science workers will make bold explorations in theory; entrepreneurs will conscientiously sum up their experiences in practice; the vast numbers of workers and peasants will talk about their personal experiences; and business managers of various trades will study and discuss the measures that need to be taken to develop a socialist market economy. We should make every effort to let our modes of propaganda be close to the masses. The articles used by our television stations, radio stations, and newspapers should not only be understood by the leading cadres, but also by the entrepreneurs, peasants, and workers. Only when the broad masses of the people understand what a market economy is can we truly walk toward the market. In brief, I hope that in carrying on this discussion our press units and media must truly integrate theory with practice, be vivid and vigorous, speak without any inhibitions, each air their views, be reasonable, talk about issues by reasoning, and convince people by reasoning in order to reap actual benefits and achieve successes. We must unite everybody's thinking to develop a socialist market economy and together make individual contributions to accelerating the establishment of a socialist market economic system.

New KMT Parliamentary Whip Profiled

93CM0285A Taipei TZULI WANPAO in Chinese
28 Mar 93 p 2

[Article by Ch'en Shan-jung (7115 2619 2837): "Semi-Potentiary Party Whip Liao Fu-pen (1675 4395 2609) Has High Level Endorsement Plus Votes"]

[Text] The Legislative Yuan is fraught with hidden dangers. Getting a 50 vote support in this chamber is no easy matter, but the KMT bloc's first balloting secretary general in the Legislative Yuan, Liao Fu-pen, did it. Anyone who can control the votes of 50 Legislative Yuan delegates deserves to be the leader of the majority party in the parliament, which Liao Fu-pen certainly is not. After the results of the balloting were revealed, some people shook their heads and sighed repeatedly! Others gloated! Liao Fu-pen expressed heartfelt thanks all around. No matter. All that is important is that this "semi-potentiary whip," who has a seat, will serve as spokesman on behalf of the ruling party's Legislative Yuan bloc during the coming year.

Liao Fu-pen is a member of the Legislative Yuan who has high name recognition. Nevertheless, name recognition and public praise are two different matters. People who have watched the operation of this parliament say freely that finding a legislator whom everyone praises is hard, but it is also hard to find a legislator like Liao Fu-pen whom everyone finds easy to criticize. No matter what he does or says, Liao Fu-pen stirs up controversy everywhere. He also has a set of explanations to extricate himself from predicaments.

After the parliament changed the way it votes, legislators spoke very volubly, the legislators from the party in power both calling for democracy and trying to show earnestness. They wanted a party whip for voting and they tried to unseat Liao Fu-pen from his position. Amidst a clashing of swords, numerous legislators unsheathed their weapons. Cold steel glinted and flashed in the Legislative Yuan, but legislators of stature hid themselves in corners. During the crossfire that ensued, Liao Fu-pen sustained the worst attacks, the goal of which was extremely clear. But after the fighting was over, Liao Fu-pen remained standing. All who had fired hidden weapons, wielded long swords, brandished pikes, and swung double-edged swords ran away. Liao Fu-pen quickly remounted and took back his "throne." It is not so much that Liao Fu-pen is criticized for going after everything he can get, but rather that other KMT legislators have no guts; all they can do is bluff and bluster.

Therefore, one should not be surprised when someone asks, "What? Liao Fu-pen again? Winning horses can also kick." Liao Fu-pen was not at all devious about it; he came right out and said that he wanted the secretary generalship. He is also the one who will endure for a long time in the arena.

Actually, Liao Fu-pen had to take a lot of hard knocks to get to the "status position" he has today; it was not

handed to him on a platter. He worked hard doing errands for the KMT. He presented gold K tie pins to legislators, looked after legislators traveling abroad on "surveys," and played a role in "applying the brake" during deliberations. He took the job of chairman of an underground investment corporation, the Yongfeng Group; he served as deputy director of the Seamen's Union to "participate" in an election to membership in the Hong Kong Legislative Council; and he led a delegation to the provincial government to congratulate Lien Chan for his nomination to the Executive Yuan premiership. Everything he did was for the KMT and his own career. He is indifferent to praise or blame. It might well be asked how many KMT legislators are enough? Who better than he to represent the KMT in the impression of outsiders?

Liao Fu-pen is a native of Kuk'eng Township in Yunlin. His "service" to the citizenry earned him the nickname of "red packet" for the money gifts he solicited as compensation for each service he rendered. A man who cherishes old associations, Liao Fu-pen still has a registered residence at his old family home in Kuk'eng, and he still offers sacrifices to the tablet of his ancestors awaiting burial. Liao Fu-pen's mother, a peasant woman, still lives there. Reportedly, the geomantic influences at the old Kuk'eng home are good and posterity has prospered as a result. It is for only this reason that Liao Fu-pen has been able to escape from the crossfire of political attacks and rise to the position of secretary of the KMT bloc in the Legislative Yuan. He is destined to rise even higher, possibly even to become the president or vice president of the Legislative Yuan.

Liao Fu-pen, who was born into a peasant family, lost his father at an early age and was brought up entirely by his mother. He also had a lot of pluck. He graduated at the top of his class from Douliu junior middle school and was recommended for admission to Tainan Teachers' College. Following graduation, he became a teacher in a government primary school. He studied hard for the test to enter the Education Department at Taiwan Normal College, which he passed with high marks. He also obtained a masters degree in agronomy from Wenhua University. He then entered government service. At age 32, he became director of the Tainan County Education Bureau, succeeding Kao Yu-jen [7559 5148 0088], who took charge of the provincial Department of Civil Affairs in which Liao Fu-pen subsequently became the director of the Religion Section, transferring later on to the position of chairman of the Hualien County Party Headquarters. At the end of 1983, he stood for election as legislator, and has served four terms in office so far.

After becoming a legislator, Liao Fu-pen turned into a middle-man in officialdom. Many criticisms and rumors dogged him, the most common ones, other than the one about his acceptance of "red packets" in compensation for services to the electorate, were vivid accounts of his illicit romances. One such said that while he was director of the Tainan County Education Bureau, he travelled across mountains and rivers to remote mountain regions

to "survey" education, but really to see with his own eyes the faces of the women teachers. Some people also said that he had an illegitimate child in Hualien, and that he frequented wine houses there.

Liao Fu-pen says with an easy conscience that all this stems from people purposely attacking him out of jealousy. Liao Fu-pen, who is never one to guard what he says, said jokingly in clarification of the rumor of his having an illegitimate child in Hualien that he was in Tainan at that time. "Can it be that my semen was able to shoot over the central mountain range" to Hualien? Nevertheless, a member of the Legislative Yuan disclosed that Liao Fu-pen has recently frequented wineshops.

One can find evidence in Liao Fu-pen of the classic lack of distinction between party and education whereby a person who had formerly been an "Education Bureau director" gave himself a shake and turned into the chairman of the Hualien County Party Headquarters. After entering the Legislative Yuan, naturally he wanted to do deeds only to have all sorts of attendant controversies arise. In 1988 when the first signs of factionalism appeared in the Collective Wisdom Coalition and began to manifest influence, Liao Fu-pen and the late legislator Huang Ho-ch'ing [7806 0735 3237], jointly organized the "Study Society for Wholehearted Inquiry Into Government." From the very beginning, however, it became apparent that the two could not get along with each other. "Wholehearted" became "two minds"; however, in addition, Liao Fu-pen called for overseas Chinese-elected legislators "to serve and look after" these legislators, setting up an "association" for these legislators who were "alone" in Taiwan. This tactic of Liao Fu-pen's also paid some dividends. In 1990, when he was being questioned by the Seamen's Union about his candidacy for a Seamen's Union position, Seamen's Union personnel contending that the "Seamen's Union is not a dumping ground," he got 15 overseas Chinese-elected legislators to go with him to make a report to the Seamen's Union that resulted in his becoming deputy director of the Seamen's Union. At the end of 1992, he also took the lead in revising Article 312 of the election recall law with the result that overseas Chinese-elected legislators with residences in Taiwan could also succeed themselves in office. His relations with the overseas Chinese-elected legislators were smooth as silk.

This party whip, who has also been a "chairman," also became chairman of the Yungfeng Group "as a matter of duty" in 1990 where he was responsible for "upholding the law" in an underground investment corporation. However, Liao Fu-pen said that he was supporting the rights and interests of the investors, "using my popularity in the south to stabilize this organization." In the election of legislators that year, the withdrawal from the

election for legislator of Kuk'eng Township magistrate Ts'ai Wen-chang [5591 2429 4545], and of Chang Ch'ing-ch'uan [1728 3237 3123], the Burgess of Dounan Town, and their stigmatizing as "exchanging favors" was mostly the work of Liao Fu-pen, but he said that he had only "talked things over, and nothing more."

Liao Fu-pen has another skill in the Legislative Yuan, and that is taking the lead in invoking cloture in the chamber and putting matters to a vote. This is popularly termed "cutting off arguments." During the inquiry into the "National Assembly Remuneration Payment Regulations" during the 89th legislative session, the one who headed the list of proposers and voters was Liao Fu-pen. The proposal during the 90th session for two readings of the revision of the election recall law, which the overseas Chinese-elected legislators engineered for their private gain, also came from Liao Fu-pen, because he had eight overseas Chinese-elected legislator brothers who were members of the procedures committee.

When he became party whip, the Democratic Progressive Party (DPP) was rather concerned about his "trustworthiness." Regarding the bill to unfreeze the Fourth Nuclear Power Plant budget during the 90th session, Liao Fu-pen said that a public hearing would certainly be held, but he failed to make good on his promise, and he used a vote in the budget committee to unfreeze an inquiry.

This record is Liao Fu-pen's "capital" inside the ruling party, and it is also why he receives a negative evaluation outside the party. However, the criticism of "outsiders" he regards as attacks by people who are so inclined; people who are not so inclined support him.

Until he is toppled, the party whip has a Central Committee-endorsed "revolutionary character," and his election is founded on his "democratic" character. Liao Fu-pen combines a KMT "revolutionary and a democratic" character in one person. He is the number one person in the Legislative Yuan. Ch'en Shui-pien [7115 3055 2078] of the DPP caucus said critically that to contest with this person would bring no honor to the victor. Liao Fu-pen said that because he was able to best Ch'en Shui-pien, Ch'en Shui-pien reviled him. He also said that he would be elected to the Central Committee Standing Committee during the 1993 14th KMT Congress because of his great popularity. "I am a person who is able to stand the test," he said.

The "semipotentary whip," Liao Fu-pen has his own philosophy about how he wields his party whip. How he will bring forth the strength of the KMT bloc in the Legislative Yuan is a matter whose outcome many people are waiting to see.

New KMT Alliance: Seasoned Politicians, New Roles

93CM0290A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 315, 27 Mar 93 pp 33-35

[Article by Ssu-ma Wen-wu (0674 7456 2429 2976): "Strategy and Future of New KMT Alliance"]

[Text] The longstanding unification versus independence debate, the fight over freedom of speech and freedom of assembly, provincial consciousness, the urban-rural gap, and political struggles—all of that came to a head in the latest Kao-hsiung incident. The largest civil disturbance in the history of Taiwan, the incident was like a great movement, realigning our post-martial law political forces.

Violence should be spurned and freedom of speech protected. We all agree on these principles. But because all of us, heroes or villains, mouth these principles, they have lost their power and become mere slogans. Taiwan society is so full of irrationality that a handful of violent elements can often stir up trouble. Clearly we have neither learned a lesson from the mass movement over the years nor taken effective precautionary measures. This is highly regrettable.

Superficially we enjoy freedom of speech these days. But there can be no safeguard for freedom of speech as long as we have not learned to be tolerant or respect opinions different from ours. We can see from this incident that in Taiwan freedom of speech rests on a fragile basis and is vulnerable to being abolished, distorted, or abused.

The image of reasonableness the Democratic Progressive Party [DPP] worked painstakingly to cultivate has also been badly tarnished in the latest incident. In the Chung-tai Guest House incident years ago the opposition parties were encircled and attacked by the right-wing group. Now the DPP people used even more radical tactics to attack the right-wing groups which had encircled them in the past. Instead of learning from the past and maturing, our society is merely going around in circles.

The Chung-tai Guest House incident years ago and the latest Kao-hsiung incident targeted different people. Those who were perpetrators in the first incident are now at the receiving end, and vice versa. It seems that the two sides just took turns serving. Common to both, though, is a strong provincial consciousness. However, the opposition of yesteryear was made up of political guerrillas oppressed and persecuted for years. In contrast, the New KMT Alliance consists of the best and the brightest in the KMT, people who have had formidable political experience. In the past they spared no effort to combat extra-party popular movements, little knowing that today they would be using the opposition's same old tactics to organize a mass movement.

Back then people outside the party used provincial consciousness as a rallying cry. The objective was to destroy the monopoly enjoyed by a minority and bring

about democratic politics based on the majority. The New KMT Alliance today, in contrast, claims to transcend provincial ties, only to greatly exacerbate the provincial conflict. Back then the principal objective of the opposition was to achieve democratic constitutional rule. Today the leading objective of the New KMT Alliance is to create intra-party democracy, in other words, seize power within the party. There is a yawning gap between their positions, levels, and ideals.

In some ways members of the New KMT Alliance are outstanding individuals. No doubt they have a zest for reform and are socially representative. Their fatal flaws are their conservative ideology and bellicosity. They almost act like professional fighters. Their conservative ideology has earned them the support of the old guard and ultra-rightists in the party, but it is also their heaviest political baggage. Their belligerence sets off a vicious circle because people who knock down others will necessarily get knocked down themselves. When you make too many enemies, you will not be able to do much in politics. This principle applies at all times and in all nations.

As far as political philosophy is concerned, the New KMT Alliance advocates social justice, but the language it uses is replete with traditional party clichés. Actually it is hard to distinguish it from ultra-rightist organizations like the overseas Hsing-chung Hui and New Tung-meng Hui. It calls itself the "True KMT," which is downright lethal. The reason is that the real KMT has not only failed to practice democratic politics, but has imposed one-party dictatorship, one-man dictatorship, and political oppression, and monopolized party, political, and military power. The KMT should have been banished to the dust-bin of history a long time ago. Yet now New KMT Alliance comes along and wants to make it its rallying cry. The only people who respond to it are die-hard party loyalists.

In reality this may be precisely what the New KMT Alliance wanted in the first place. Party loyalists may be marginals in society, but they are the main contender for leadership within the party. Time and again the New KMT Alliance has emphasized intra-party democracy and has even publicly announced that it would be achieved at the party's 14th national congress. Right now, however, it is going all out to woo the loyalists. This is an illogical strategy.

It is not difficult at all to organize a lecture in southern and central Taiwan. The region is sprinkled with settlements of retired veterans and military families and is home to large numbers of military personnel, government employees, and teachers, people that can be readily mobilized to attend a lecture. Society has now become so diversified that even the most radical ideas can find a sizeable number of supporters. The strange thing is that with their background as party functionaries, particularly those who have been in charge of organization and supplementary elections, the New KMT members should have had no problem gauging the public mood in

Kao-hsiung. If they do not have even this minimal knowledge, their mass work in the past has been a total waste.

The most convenient way for the New KMT Alliance to absolve itself of any responsibility for the latest incident is to blame it on a conspiracy between the mainstream in the KMT and the DPP. But this kind of wild conspiracy theory only deceives oneself and nobody else. The people in southern and central Taiwan have a strong sense of Taiwan consciousness; anti-Taiwan independence proposals have no audience in that region. Ironically the New KMT Alliance owes its rise to its anti-Taiwan independence position. Like the Tung-meng Hui of old which advocated the expulsion of the Tartars and the overthrow of the Manchu regime, the New KMT Alliance explicitly calls for the expulsion of Taiwan independence elements and the overthrow of dictatorship in its platform. Not only does this smack of a strong provincialism and us-versus-them sentiments, but the verbs used—overthrow, expel, topple—can be found only in Fascist organizations. No democratic parties use such language.

Expel the Taiwan independence elements? The political reality is that for decades Taiwan has been independent. Opposition to Taiwan independence may be interpreted as opposition to permanent separation between Taiwan and the mainland. But when you say expel Taiwan independence elements, you are saying the present government should be expelled, which sounds strongly anti-Taiwanese. This should not be what the New KMT Alliance sets out to do; it is just that they don't understand this society. But this slogan may send a wrong message to society, readily arousing an emotional response among members of the public. It can also be used as a pretext by people intent on stirring up and sowing discord.

"Overthrow dictatorship" was the slogan of the opposition in years past. Back then the Chiang family was a real dictator; the core cadres of this dictatorship were the very same people who today form the New KMT Alliance. Now there is a new openness in the political atmosphere and democratization is racing ahead, but people who once actively supported dictatorship now want to overthrow it.

Judging from their background and credentials, all New KMT Alliance members are conservatives, even ultra-rightists in some cases. Political conservatives may well be perfect gentlemen, even learned and talented people with their own reform ideas. But they fundamentally reject democratic politics. On the other hand, the cause of democracy is riding a crest of popularity all over the world today. Take away democracy, and there simply will be no politics. So everybody is talking about democracy. But mostly the New KMT Alliance talks about intra-party democracy, doing its level best to stay away from democratic politics. They know what they are doing. Besides, it is a strategic requirement.

For the protagonists, power struggles within the KMT may be a contest between democracy and dictatorship. For the general public, however, it is but a whirlpool in a washing machine running at high speed, not something you would associate with the storm whipped up by Mother Nature. There is an inequitable distribution of power within the party, so the New KMT Alliance launches a mass movement to build up political resources to be used for waging a peaceful struggle. On a moral plane, it is open to criticism for passing onto society a cost it should pay itself. Politically, however, this is its right as well as its opportunity. As long as it is legal, there is nothing wrong with it.

In these difficult days of political transition, the line between conservatism and progressivism has become blurred. The progressive faction may act more like a bunch of royalists, while the conservatives may be a stronger advocate of democracy. This is exactly what is happening in Russia today.

The Russian Communist Party has come back to life, renamed and reorganized. These days it takes to the street, staging rallies and demonstrations and calling for the overthrow of Boris Yeltsin. His reform in ruins, Yeltsin is in a most precarious situation. To varying extents, similar developments are taking place in countries in Eastern Europe, although they differ in scale. These are turns and setbacks on the road to democracy. Something similar may occur in Taiwan, particularly because the KMT is a copy of the Russian Communist Party organizationally and structurally. It is more than a historical coincidence that an authoritarian regime finds it difficult to reform from the inside.

Objectively, the New KMT Alliance has the wherewithal to become the reform faction within the KMT. With a power struggle going on within the KMT, ultimately the rules of the game will be rewritten. In this sense, the New KMT Alliance may help the cause of democracy in Taiwan. But circumscribed by its own ideology, the New KMT Alliance will never enter the mainstream in society. Although the power struggle within the KMT has not yet been resolved, the broad trends in society are quite clear. The DPP will certainly become stronger and stronger over time. The New KMT Alliance, which has made the DPP its prime target, also should be given its own living space. All of them are astute politicians who may shift gears readily any time to improve their image and play a more constructive role in politics.

This optimistic forecast is predicated upon one assumption, however, namely that both sides carry out a thorough self-examination instead of pointing fingers at each other. If one side seethes with anger and the other gloats over its opponent's setbacks, there will be trouble.

DPP Chairman Interviewed on Sino-Taiwanese Relations

93CM0312A Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese No 280, 1 May 93 pp 54-57

[Interview with Hsu Hsin-liang by Lin Szu (2651 1835) and Chou Li-jen (0719 4539 0086); date and place not given: "What Is Hsu Hsin-liang (6079 0207 5328) Saying Before the Koo-Wang Talks? DPP Chairman Talks About Cross-Strait Relations"]

[Excerpt] Editor's Note: Representing the two sides of the Taiwan Strait, the Koo-Wang talks will soon take place. How will the strongly pro-Taiwan independence Democratic Progressive Party [DPP] react? What will be the DPP mainland policy? This magazine's Taiwan-based reporters Lin Szu and Chou Li-jen interviewed DPP chairman Hsu Hsin-liang. The following is a transcript of the interview. [end editor's note]

[Question] Will you first talk about the DPP's objectives in visiting Singapore? In terms of timing, this visit happened to take place before the Koo-Wang talks. Is there any linkage between the two events?

[Answer] None whatsoever; it was a mere coincidence. When we decided to pay a visit to Singapore, the Koo-Wang talks had not been announced, and we also didn't know the talk would be held in Singapore. The DPP trip is part of our strategy to improve relations with political parties and leaders of other countries, and the timing happened to coincide...

As party chairman, I have always considered foreign relations important. We have always understood that the common desire of the Taiwan people is to raise Taiwan's standing within the international community; seeking international support, therefore, is important. In this area, the DPP has been doing a lot of work. In recent years, due to economic development, Taiwan and numerous foreign countries have in fact developed substantial relationships, but similar relationships between political and party leaders have not been developed. When we enter into negotiations with foreign countries, we are always represented by bureaucrats in charge of trade, vice ministers or, at most, the economic minister. But implementation of diplomacy today cannot be entirely left to bureaucrats. Political leaders themselves personally taking charge of diplomatic missions is a uniquely 20th century phenomenon; through such missions, political leaders build relationships among themselves, and this is the most important aspect of work in diplomacy today. In the KMT, except for the president, I don't see any other politicians interested in diplomacy, and objectively speaking, it is difficult for the president to handle diplomacy himself given the constraints of the international situation. But we in the DPP have vigorously pursued diplomatic objectives; for example, I myself have visited the U.S. three times during my term as DPP chairman.

[Question] Can you briefly comment on the DPP's policy toward the mainland?

[Answer] On this issue, let me elaborate: almost all of the KMT current policies toward the mainland originated from DPP advocacy. If you think carefully, the KMT did not have a coherent mainland policy three years ago; that policy came out of concrete recommendations made at the symposium on cross-strait relations which I organized after I was released from prison. Simply put, what we advocate is peaceful resolution—peaceful resolution of issues between Taiwan and the mainland. Three years ago, relations between the KMT and the mainland were still very tense and antagonistic. We were not only the first to advocate peaceful resolution and exchanges with the mainland, we were also the first to carry out street demonstrations calling for demobilization of old soldiers from the army. At the time, the KMT even considered our action treasonous. For the DPP as a party and for us individually, the maintenance of equality, reciprocal benefits and friendly relations with the mainland is our credo.

More specifically, we advocate government to government negotiations, and we oppose party to party negotiations. If government to government negotiations should encounter difficulties, it would be all right to use a nongovernmental, unofficial format. But we also advocate that even in government to government negotiations, political issues should be put aside for the time being, and that negotiations be focussed on solving economic, technical and administrative matters such as repatriation, document authentication, etc. Discussion of issues of unification versus independence is best deferred to a later date. On the Koo-Wang talks, we support the move, and our only concern is that the KMT lacks the experience to handle it.

[Question] But the DPP is also inexperienced in this respect!

[Answer] We are at least clear as to ideology and concept. The KMT, however, seems unable to get away from slogans of the "National Unification Commission," the "Guidelines for National Unification," and the theme of "unification"; even Chiu Chin-yi is no exception, and we don't trust him.

At present, as resolution of political issues is not a prerequisite condition on both sides of the strait, the DPP is 100 percent in favor of political neutrality, although this is not simple to do in technical terms. But in this area, the DPP can rely on many experts. The problem of the KMT, on the one hand, is that the bureaucrats are in charge of foreign relations, bureaucrats can operate only with proper guidance, and since there are problems in the guidance, bureaucrats cannot achieve any breakthrough.

[Question] Are there changes in the Chinese Communists attitude toward the DPP? Changes may perhaps be detected in several incidents, e.g. they no longer insist on party to party negotiations, they facilitated the entry of

Chang Chun-hung [1728 0193 1347], and Tang Shubei [0781 2885 0271] himself has said: "It doesn't matter which political party or faction represent the Taiwan people, the Association for Relations Across the Taiwan Strait is willing to exchange views with them"; under these circumstances, is the DPP willing to enter into some relationship with the Chinese Communists?

[Answer] As I have just mentioned, the DPP advocates peaceful resolution, so the question is for the Chinese Communists to answer, not for us; we are willing to have a relationship with them at any time. When I was in Beijing, I said to them, we don't have any hostility toward you, and from the beginning we have been willing to establish friendly relations with China; this is a standing position of the people in Taiwan.

[Question] But the Chinese Communists have another prerequisite condition; by saying they "are willing to exchange views with forces which oppose Taiwan independence and support reunification," it would appear that anti-Taiwan independence is viewed as the condition.

[Answer] That's why I have just said, the question rests not with us, but with them. I have no say over what China may do, but I would not be hostile toward them even if they harbor feeling of antagonism toward us. The DPP has always firmly maintained its position, regardless of how China may react. Hostility toward us is their problem, we on our part will be friendly, and we take the initiative to be friendly, and that is our policy. But now on our part, we also analyze and study China, and we know that China is in fact pragmatic in its action. Naturally they have their principles, but their policy has flexibility as well. At the same time, I would not consider that their pragmatism simply means "united front," and their attitude toward the DPP is an example.

In the past, the KMT's policies were terrible, they were stupid and rigid, but now they are much improved. At least President Li Teng-hui knows enough to analyze the issues involved. Beijing is not the same; Beijing makes a lot of noise with their slogans, but when it comes to action, they are pragmatic, and that is why Beijing is appraised highly by the DPP. Frankly speaking, if Beijing were really that stupid, we would not dare to call for or advocate Taiwan independence.

[Question] But the anti-Taiwan independence attitude on the part of the Chinese Communists and the DPP's objective of peaceful resolution are serious contradictions; that being the case, how can the DPP achieve its peaceful resolution objective?

[Answer] Their position is firm, but their attitude toward politics is pragmatic, and they would not disregard everything simply because they oppose Taiwan independence. As far as firm positions go, it is the same with us in our advocacy for Taiwan independence; we also would not change just because China opposes Taiwan independence, nor would we be hostile toward them, what we are advocating is the establishment of channels or a system where problems can be solved.

[Question] The DPP hopes that the Chinese Communists will abandon the use of force toward Taiwan, and yet the DPP's Taiwan independence stance is precisely the kind of pretext they would need to use force, and this is another contradiction.

[Answer] I don't see it that way. I would again emphasize that China's foreign policy has always been pragmatic; they know that to obtain mutual benefits, it will be necessary to improve relations over the long term. In other words, what would they do if the DPP were to come into power? They would have to face us and engage us in talks.

[Question] You emphasize again and again that the Chinese Communists are pragmatic, attaching importance to economic benefits, but seen in terms of the Hong Kong experience, when political and economic interests clash, they certainly will give up the economic to focus on the political; but this is not the way you see things.

[Answer] It is not that, Chinese leaders are all very pragmatic...

[Question] If the DPP were to come into power, or a DPP member were elected president, would the party proclaim Taiwan independence?

[Answer] We don't talk about such hypothetical questions; too many people take overly simplistic views of such issues and therefore ask such questions.

[Question] Chiu Chin-yi is considering having the DPP serve as advisor to the Taiwan Strait Exchange Foundation [SEF]. How does the DPP view this possibility?

[Answer] We will gladly accept; in fact, we were the ones who put this suggestion to Chiu Chin-yi. We have always advocated taking concrete steps to participate in the formulation, study and supervision of relations between Taiwan and the mainland, and we have also asked to join policy organs such as the SEF and the Mainland Affairs Commission. But the KMT has heretofore used one excuse after another to put us off, saying that we can join, but first join the National Unification Commission. But we cannot join that body for a very simply reason, we do not agree with the principle of unification. The SEF is a neutral organization, and we can participate in that.

[Question] Leaving aside the China question, in the election the year before last, the DPP suffered great losses because of the party's "Guidelines on Taiwan Independence," but the DPP won big last year by changing and calling for direct election and autonomy. Does this not mean that the people are afraid of the Taiwan independence position?

[Answer] This question does not to be debated further. Taiwanese unquestionably are for Taiwan independence. Who would advocate unification? To be frank, it

is not that the people do not support us, rather it is a question of the people being reluctant to have a showdown with China over this question at this time, and that is all.

[Question] But Li Teng-hui said that in three years, Taiwan will be admitted into the United Nations. Won't a showdown be unavoidable at that time?

[Answer] Admission into the United Nations will involve a showdown with China. I have often said to foreign reporters that Taiwan is not like Germany or Korea. They want unification, their people are willing to pay the price

of unification; but Taiwanese do not want unification, and we do not have a feeling of comradeship with the mainland Chinese. Frankly, how many people in the KMT want unification? Other than those who came from the mainland, and those wanting unity of all Chinese as a race, the majority feel they don't ever want unification and a small minority feel they don't want unification, at least not for the time being. If unification is not for now, then when? No one knows the answer. It could be 50 years, 30 years, and so long as the political and economic conditions on both sides of the strait are not the same, there should not be unification. [passage omitted]

Public Perceptions of Patten Reform Plan

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[CONTENDING] in Chinese No 186, 1 Apr 93 pp 14-16

[Article by CHENG MING reporters: "Hong Kong Divided Over Patten Proposals"]

[Excerpts] [passage omitted] After months of heated verbal exchanges in an unfolding drama, Governor Patten postponed the publication of his political reform proposals in the Government Gazette for the fourth time to demonstrate his sincerity to negotiate. Then word came that Britain and China had been in diplomatic contact as they prepared to open talks. At 1500 on 12 March, however, a somber-looking Patten told the Legislative Council that he had decided to publish the political reform plan in the gazette that day as a result of the failure to set a date for Sino-British talks, and determine the capacity of Hong Kong people in the negotiations.

Beijing's vehement reaction was both expected and unexpected. Its resolve to strike back is apparent in the following sampling of remarks by Chinese Communist officials:

On 15 March, the Eighth National People's Congress opened in Beijing. As part of his government work report to the congress, Premier Li Peng used an even stronger language when he referred to the Hong Kong issue, declaring that "Britain has now created an artificial barrier to cooperation and should be held solely responsible for all dire consequences that result thereof." Originally the government report included the following statement, later deleted: "The only way out is for the British government to change its course and return soon to the pertinent documents signed between the two countries and the related understanding reached between them."

At 1500 on 17 March, Lu Ping [7627 1627] held a press conference via satellite for the domestic and foreign press. He denounced Patten for publishing his reform proposals in the gazette on 12th, saying that once again he had shut the door on Sino-British negotiations and that he would stand condemned in Hong Kong through the ages.

On 18 March, Minister of Foreign Economic Relations and Trade Li Lanqing [2621 1526 3237] said that if Britain clings to its position on the Hong Kong question, Sino-British economic and trade relations will inevitably be affected. He criticized Governor Patten's political reform proposals for infringing upon and damaging China's "sacred sovereignty" and said they were "absolutely impermissible."

On 20 March, Li Ruihuan [2621 3843 3883], a member of the Standing Committee of the Politburo of the CPC Central Committee, told CPPCC delegates from Hong Kong, "A foreigner occupies another country's territory and exercises power there. Then he turns around and

says he is working to create democracy. How can a people let a foreigner make decisions for them? Democracy means making decisions on behalf of the people. You should go!"

After these remarks were aired, our reporters interviewed a number of residents and listened to radio call-in shows. It was discovered that the people of Hong Kong, having matured during the stormy transitional period, retain a good amount of self-confidence and a strong dose of clear-headedness even as black clouds loom all around.

The shift in public opinion, the reporters have also found, is instructive. After the governor decided to publish his proposals in the gazette on Friday but before Monday when Li Peng made his comments, many people were critical of the governor, complaining that by offending the future metropolitan state, he not only deprived Hong Kong of peace and quiet after 1997, but had already made life difficult for it even now. But then Li Peng made his impassioned speech to the accompaniment of "thunderous applause" and people could not help but recall his bellicose demeanor when he declared martial law on 19 May 1989. It was at that point that public opinion changed subtly. Lu Ping's remark about Governor Patten "standing condemned through the ages" was even more startling. Then Li Lanqing threatened "economic retaliation" and Li Ruihuan made his intriguing remarks about "foreigners go home," both of them the subject of much public discussion.

It is worth mentioning that the proposal by a CPPCC deputy from Hong Kong in front of Li Peng—"exploit the victory and organize anti-Patten demonstrations in Hong Kong to win back public support lost on 4 June"—set off a wave of negative comments. Public opinion was overwhelmingly one-sided because the people realized that Beijing's hysterical response to Patten's political reform proposals was prompted by something else besides the CPC's world outlook, namely the handful of Hong Kong people who, under the cover of patriotism, try to stir up trouble so that they can go to the master and claim credit and achieve their goal of advancing their political career. Thus many people pointed out to our reporters in the interviews that CPPCC deputies from Hong Kong are absolutely no representative of public opinion, judging by this farce and their performance. The people of Hong Kong should cherish the freedom of speech they now enjoy even more and forcefully tell Beijing what they think, knowing that justice is on their side.

Public opinion is most deeply divided on whether or not Hong Kong needs the Patten plan. A businessman who returned to Hong Kong from Australia said that he took an objective view of the matter. By Western standards, the Patten plan is basically conservative, but the fact that it warrants denunciation by the prime minister himself of the PRC shows that the two are utterly incompatible. In the past, he said, China and Britain echoed each other with their talk about "one nation, two systems" to

hoodwink the people of Hong Kong. Now the two have fallen out, exposing their hoax. This is actually a good thing as it puts the issue under international spotlight before it becomes an "internal matter" and gives the people of Hong Kong more choices.

An elderly man said: "The latest quarrel between China and Britain is a farce written and directed by Patten and starring Patten himself. The goal is to protect Britain's century-old interests in Hong Kong in the name of furthering democracy." However, when asked how Patten wrote, directed, and starred in the farce, the old man had no answer. "At any rate, the governor has a terrible image. The powers that be gave him this great plan and he had no choice but to carry it out."

Miss Chen, an office secretary, asked what it is about 1997 that frightens the people of Hong Kong. A reenactment of the Cultural Revolution and corrupt officials running amok. Patten's proposals would put the government under public supervision a tad (just a tad) more closely. What is wrong with that? The way Chinese officials respond to Patten's proposals using the language of the Cultural Revolution is bitterly disappointing.

A local businessman who has lived here for over 10 years and operates his own business said, there the Chinese Communists go again. At a minimum they should try to put some new wine in the old bottle. Instead it is the same old stuff over and over again. Once again there is ample room for the hatchet men of the Cultural Revolution to show off their talents. The fact of the matter is that the CPC is using the latest political reform controversy to launch a preemptive strike by sending a strong message to the people of Hong Kong ahead of time: Take orders from the central government obediently.

On the other hand, there are people who feel angry and helpless. A certain Miss Chen called a radio station to say that the Chinese Communists have lost their reason in their dealings with British Hong Kong, cursing the latter as soon as they open their mouths. She suspects that the Chinese are using the opportunity to "brainwash" the local people. As they say, a lie becomes a fact after being repeated a thousand times. At the beginning most people considered the plan pretty good. But after listening to Beijing's denunciations and threats everyday, they unconsciously stopped supporting the plan. Caught between China and Britain, she said, the people of Hong Kong are becoming increasingly helpless. They also feel let down by the pro-Chinese personalities who went to Beijing only to turn into mere voting machines, each and everyone of them. The situation is getting unbearable. Better send PLA troops across Luowu Bridge tomorrow and take over Hong Kong within a few minutes, the final solution.

A self-proclaimed middle-class woman called on the public to do some sober analysis. Don't fall for Patten's sugar-coated poison, she said; packaged as democracy, Patten's scheme looks attractive, but if the people of Hong Kong swallow it, they will suffer dire consequences

right away, not to mention in 1997. Why don't the people of Hong Kong work hard to maintain prosperity and stability instead of pursuing so-called democracy? Aren't they being naive?

A businessman who was once jailed on the mainland and is now engaged in Sino-Hong Kong trade said that while in China, he felt deeply the impact of Hong Kong ideology on southern China. It is inevitable for China to react hysterically to political reform in Hong Kong. What are they afraid of? Simply that the whole nation will emulate Hong Kong, which will undermine the party's totalitarian rule. Beijing talks incessantly about a smooth transition, which, to put it bluntly, means Hong Kong adopting the entire set of Chinese institutions.

The people of Hong Kong may be divided over Governor Patten's political reform plan, but they are unanimous in their rejection of Lu Ping's statement that the governor "will stand condemned through the ages." Instead the phrase "will stand condemned through the ages" has provoked a stream of comments. A retired secondary school teacher shook his head and said, "Only the future generations can judge history. How can Lu Ping jump to a conclusion like that? How about the Cultural Revolution and the 4 June massacre? Who stands condemned through the ages? The CPC knows better than anybody else."

A middle-aged person who called himself a Hong Konger said, "The Chinese Communists are not trustworthy; they say one thing and do another. First they stalled for four weeks, hoping that foot-dragging would kill the proposals and send Patten packing by making him lose credibility and authority. Now that their scheme has turned out to be mere wishful thinking, they put labels on him, stopping at nothing. It is not for you Lu Ping to write the history of Hong Kong; that is up to the people. Will Patten stand condemned through the ages? It is too early to tell. But many students were murdered on 4 June. Certainly those who ran up this blood debt will stand condemned through the ages."

A post-secondary student who described himself as interested in national affairs said that judging from the way the Chinese Communists target their verbal assaults on the governor, Patten has become Beijing's prime enemy. This too is their line of attack. The college student emphasized that he is not partial toward Britain, what with its infamous past of aggression. But that past has been written into history and the British have never tried to deny it. In contrast, the Japanese have never stopped rewriting history; what was clear aggression has become "entry" and the Nanjing massacre is said to have never occurred at all. Yet while the Chinese Communists keep harping on the Opium War, on which history has already delivered its verdict, they are extra-respectful to the shameless "Japanese friends," too cowardly to voice a single note of disapproval. The contrast is most absurd.

Despite the gloom and doom around us, a real estate broker is optimistic about the future. He said Hong

Kong's economic miracle is inseparable from the colony's enormous vitality. As they say, "Safe after a narrow escape, bliss your future days shall shape." A case in point is 4 June. If one sees a ray of hope in a bearish market, he may stand to make a killing. The broker does not think the Hong Kong economy will go downhill. Nor does he believe property values will not shoot up again before 1997. [passage omitted] He knows that some Chinese-funded organizations and mainland units were frantically buying up many first-class properties from foreign (primarily British) companies a while back. Surely these people are not just going to "sit still waiting for death." A few days ago some developers slashed prices on the holdings they had on hand and offered 90 percent financing, a move thought to be a sure boost to the market. Many in the business were expecting another chance to hit the jackpot. But then the governor decided to publish his political reform proposals in the Gazette and Sino-British relations took a sharp turn for the worse, catching the investors by surprise. He took exception to what the governor is doing. Since the British cannot discharge their moral responsibility to the 6 million people in Hong Kong, he argued, they should just "do the right thing" and let locals have a free hand to make more money before 1997, instead of wasting time and money on the political reform plan, which looks good and serves no real purpose, at the same time preventing people from getting rich. Don't blame the Hong Kong people for being so practical, he said, we are talking about a borrowed place, borrowed time.

In the course of the interviews, the reporters discovered an interesting phenomenon, namely that people who came from mainland China are more supportive of Governor Patten's plan than people born and raised here. [passage omitted] Some in the latter group believe that since Hong Kong cannot afford to take on China and win, it should not provoke it. Otherwise Hong Kong will be ruined and everybody would suffer.

But there are exceptions, such as Miss Chen, a columnist. Her father's generation had a terrible time during the Cultural Revolution but this fact has no bearing on her

perception of the CPC. She believes a thing must be judged on its own merits and abhors Patten's political reform plan.

As for Li Ruihuan's comment that democracy is not for a foreigner to bestow, it has generated endless discussion among the people of Hong Kong. A listener called a radio station to voice what was on his mind. He felt ashamed as a Hong Kong Chinese. Normally the prospect of Hong Kong being returned to China should be a cause for celebration. But why do the vast majority of local people feel a sense of impending doom? This should give Beijing some food for thought. He simply could not see anything wrong with Governor Patten's proposals. If the Chinese are willing to give Hong Kong minimal democracy, then the people of Hong Kong would not even need Patten. But instead of granting democracy to Hong Kong, the Chinese are so thick-skinned that they try to change the topic by saying "we don't need foreigners to make decisions for us" and whip up nationalist feelings. This person also asked emotionally why there is not a single professional diplomat among 1 billion people. Apart from personal attacks, all the Chinese could do is to scream "nationalism." In contrast, the British have won on poise.

A worker in the redecorating business asked rhetorically, "Do you believe the Chinese would allow democracy in Hong Kong? Hell, no. The Chinese have repeatedly warned us not to get into the 'three-legged chair' stuff. It is clear why the government of the Hong Kong administrative region will not be allowed to be on an equal footing with the central government." [passage omitted]

A middle-aged woman born in the 1950s said one can never trust the CPC. It has told every lie that can be told and done every evil deed that can be done. In 1949, it painted a glorious future for the new China and her father and brother were seduced into returning to the motherland from Indonesia. She drew on her own personal experience to demonstrate the importance of democracy and freedom. She asked rhetorically: "Why is it that only people from communist nations around the world take to the stormy sea? Why aren't the people of Western nations pouring into communist countries?"

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